

2013

ANNUAL  
REPORT

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[www.alsalamholding.com](http://www.alsalamholding.com)



# Their Highnesses



**His Highness**  
Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah  
The Amir Of The State Of Kuwait



**His Highness**  
Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah  
The Prime Minister Of The State Of Kuwait



**His Highness**  
Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah  
The Crown Prince Of The State Of Kuwait



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# Board Of Director



Meshari Ahmed Al-Majed  
Chairman



Dr. Tareq Mohamed Al-Suwaidan  
Vice Chairman



Sheikh / Sabah Salman Al-Sabah  
Board Member



Hassan Darweesh Al-Shamali  
Board Member



Prof. Zahir Omar Irani  
Board Member



Meshari Ahmad Al-Majed  
Chairman

## Chairman's Speech

In my name and on behalf of the Board of Directors and the Executive Team in Al-Salam Holding Group Company I would like to welcome you and thank you very much for your presence, your follow-up of the Company's financial statements and disclosures and for the precious confidence that we are honored with by our kind shareholders every year. We will together go through the performance of Al-Salam Holding Group Company for the fiscal year ended on 31<sup>st</sup> December 2013 in addition to our vision of the Market and its indicators.

The severity of the crisis surrounding the global economy has been eased during the last four years and in particular in 2013; the U.S. economy began to witness minimal growth while the EURO Zone is still struggling to get out of the recession. Regarding the Kuwaiti prospects for economic performance, the International Monetary Fund (IMF) predicted a further improvement during the year 2014 and in the medium term as well, where the real rate of growth of non-oil GDP in Kuwait stood at a 3% in 2013 supported by an increase of domestic consumption and governmental investment growth, and this, according to estimates by the IMF is expected to grow through 2014 at a rate of

4.4% supported by government capital spending and leading to increased inflation rate to about 3.5%.

Al-Salam Holding Group Company witnessed a notable growth and development in its performance over the past years, as the Company has proven its ability to make an exceptional progress in recovery whereby it reversed the accumulated losses, managed to make dividend distributions to the shareholders and recorded retained earnings after the losses incurred by the Company during the global financial crisis.

Just like most investment companies, such achievements have been attained in a market that is still suffering a negative consequences of the global financial crisis and maintains slow recovery hindered by various obstacles including European sovereign debt crisis, which also is recovering. Therefore, performance has a close link to the Company's strategic plan, which is intended to develop the assets; acquire cash generating operational assets that would realize lucrative profits on investments; examine market risks and ensure optimal allocation of the Company's investment portfolio.

The Kuwait Stock Exchange (KSE Price Index) has made some modest gains in 2013 to rise by 27% since

In the name of Allah the most  
Merciful the All Compassionate  
Praise be to Allah, Lord of the  
Worlds, prayer and peace  
be upon Prophet Muhammad.

the beginning of the year, in which we find it modest compared to the regional and global markets for the gains made which was above expectations. The Price Index fell from a high of 8,450 points, and since then the index is still fluctuating because of reluctance and the pressures from the geopolitical news that hit the markets in general, and then quickly went into another decline as a result of the political situation tense in the country, not being able to finish its correction unlike the neighboring Gulf markets. And so the index closed at the end of December 2013, at 7,510 points.

Returning to the Company, Al-Slam Group continued adopting an approach towards expansion and diversification of investments and to move forward, the Company has a strategy aimed at achieving greater returns for shareholders and to take advantage of growth opportunities expected in the selected sectors and to continue its policy of cautious expansion activities.

During the year, the company had acquired 99% stake in each of Atlantic Group Company and Reflection Company which hold diversified portfolios of investments, most important of these investments; 15% stake of Gulf Petroleum Investment Company, which is considered one of the most promising companies in oil and gas sector possessing good operating assets generating annual profits for the company, as

well as 9% stake of Ektitab Holding Company which diversify its investments within wider range of attractive sectors. In addition, both companies are being listed on Kuwait Stock Exchange, which support the liquidity for Al-Salam Group.

In addition, Al-Salam acquired 41.71% stake of Takaful International for Takaful Insurance Company. Future outlook expects the volume of Takaful insurance market in the world to reach US\$ 20 billion by 2017, It highlights in particular the countries of the Gulf Cooperation Council, which contribute more than 62% of the total volume of Takaful insurance globally.

Thus, our Company aims to target operational investment companies generating profits in the short-run, for the best interests of the Company and the achievement of greater benefit to the shareholders. On the other hand, one of our subsidiaries, owner of Al-Sary Company has witnessed an increase in its contracts by 31% as total value of such contracts reached KD 21 million.

That was in total against the sale of 55% of our stake in Sarh Capital Real Estate Company, which is characterized by its long-term operational investment, as its main activity is; selling and buying real estate properties; properties development; managing properties for the company and for others; and ownership, buying and selling stocks

and bonds of real estate companies.

The process of restructuring Al-Salam Group assets made by management during year 2013 was to support the sustainable growth of the Company and the achievement of greater benefit to the shareholders in the near future and that, God willing, will bear fruit in the coming years. And thus, assets have been restructured and the distribution of the assets portfolio has changed based on the available opportunities for our Group to exit from some of the investments to have liquidity enabling the Group to invest in other sectors in order to diversify its investment portfolio and to generate income.

With respect to the Company's assets for the year 2013, it has almost maintained the same levels with a total of KD 35,779,805 as also Al-Salam Group had sold some of its stake in its investment in Sarh Capital Real Estate Company after it held a stake of 39.05% to reach 17.54% during the year 2013, which in turn led to the reclassification of Sarh Capital Company from an investment in associate to available for sale investments, resulting that the value of investments in associates dropping by 61% compared to 2012 after it was KD 22,593,497 to reach in 2013 KD 8,894,726. In contrast, available for sale investments increased reaching to KD 11,528,541 in 2013.

Also during the year the Company's remaining assets had increased such as intangible assets, property

and equipments, and account receivables as a result of the acquisitions that took place on Atlantic Group Company and Reflection Company, which in turn was reflected on the consolidated financial statements of Al-Salam Holding Group Company.

With respect to liabilities, the restructuring of investment assets have had a direct impact on accounts payable where it has increased in 2013 by 46% compared to 2012 amounted to KD 3,188,995 and also due to the expansion of Al-Sary Company activities, in which it acquired some assets to support its expansion policy for future contracting. It should be noted that your Company is free of leverage as there are no debts or obligations on the Company for third parties in 2013.

On this occasion, I would like to mention that due to the Company's excellent performance and the successful continued expansion in operations during 2012, and upon the recommendation of the Board of Directors for the past year 2012, there has been a bonus shares distribution of 7% of the paid-up capital, amounting to 16,800,000 shares to the shareholders registered on the date of General Assembly, which was in May of the year 2013.

After we have talked about Al-Salam Group financial position, now let's talk about the income statement for the year ended 2013 to even illustrate to you gentlemen the causes of the decline occurred in the earnings per share, which is a temporary result

of the restructuring of our assets, for a better future, God willing.

Net profit available to shareholders of the parent company has decreased reaching to KD 188,238 in 2013 compared to 2012 which was KD 2,492,885 and this was due to several reasons, including the reclassification of the Group's investment in Sarh Capital Real Estate Company where a part of it was sold during the year and our Group ownership percentage stood at 17.54%, resulting that the Group's share in results from associate companies witnessed a remarkable decline reaching to KD 2,046 in 2013 compared to 2012 which was KD 1,092,259.

On the other hand, the Group didn't recognize any revenue from financing and musharaka investment during 2013 as a result that the Group had already collected such amount. Also the general and administrative expenses increased by 100% to reach KD 320,738 for 2013 compared to 2012 which was KD 156,901 due to consolidating the financials of acquired companies that took place during the year.

I would like to note that the Company will not distribute cash dividends or bonus shares for the year 2013. In addition to that there will not be any remuneration for the Board Members, and the Board Members did not enjoy any benefits or advantages during the year.

As you are aware that Al-Salam Holding Group

Company being an Islamic Investment Company, is very keen on adhere to the Rules and Standards of the Islamic Sharia in all its operations and transactions including all the financial services provided through the executive body of its associate and subsidiary companies as well according to the recommendations and instructions of the Sharia Supervisory Board.

At the end of this speech, I would like to extend my thanks, deep appreciation and gratitude to the members of the Board of Directors, members of the Sharia Board and the executive Department for their support and efforts and to all the shareholders who have confidence in Al-Salam Holding Group Company and to all the employees of the Company for their efforts and hard work contributed, after ALLAH the Almighty, in the outstanding march which has maintained the progress of the Company in maximizing its assets and increasing the shareholders returns.

May Allah's peace, mercy and blessings be upon you..

Meshari Ahmad Al-Majed  
Chairman

### Management Report on Activities - 2013

Following is an analysis of the financial position as at 31<sup>st</sup> December 2013 according to the Company's performance over the year 2013 compared to 2012. The contents of the analysis are based on the audited financial statements for the years 2013 – 2012.

#### Assets

Al-Salam Group had restructured its assets during year 2013 and this was to support the sustainable growth of the Company and achieve a greater benefit to the shareholders in the near future and that, God willing, will bear fruit in the coming years. And thus, assets has been restructured and the distribution of the assets portfolio has changed based on the available opportunities for our Group to exit from some of the investments to have liquidity enabling the Group to invest in other sectors in order to diversify its investment portfolio and to generate income.

During the year, the company had acquired 99% stake in each of Atlantic Group Company and Reflection Company which hold diversified portfolios of investments, most important of these investments; 15% stake of Gulf Petroleum Investment Company, which is considered one of the most promising companies in oil and gas sector possessing good operating assets generating annual profits for the company, as well as 9% stake of Ekhtitab Holding Company which diversify its investments within wider range of attractive sectors. In addition, both companies are being listed on Kuwait Stock Exchange, which support the liquidity for Al-Salam Group.

In addition, Al-Salam acquired 41.71% stake of Takaful International for Takaful Insurance Company. Future outlook expects the volume of Takaful insurance market in the world to reach US\$ 20 billion by 2017, It highlights in particular the countries of the Gulf Cooperation Council, which contribute more than 62% of the total volume of Takaful insurance globally.

Thus, our Company aims to target operational investment companies generating profits in the short-run, for the best interests of the Company and the achievement of greater benefit to the shareholders. On the other hand, one of our subsidiaries, owner of Al-Sary Company has witnessed an increase in its contracts by 31% as total value of such contracts reached KD 21 million

With respect to the Company's assets for the year 2013, it has almost maintained the same levels with a total of KD 35,779,805 as also Al-Salam Group had sold some of its stake in its investment in Sarh Capital Real Estate Company after it held a stake of 39.05% to reach 17.54% during the year 2013, which in turn led to the reclassification of Sarh Capital Company from an investment in associate to available for sale investments, resulting that the value of investments in associates dropping by 61% compared to 2012 after it was KD 22,593,497 to reach in 2013 KD 8,894,726. In contrast, available for sale investments increased reaching to KD 11,528,541 in 2013.

Also during the year the Company's remaining assets had increased such as intangible assets, property and equipments, and account receivables as a result of the acquisitions that took place on Atlantic Group Company and Reflection Company, which in turn was reflected on the consolidated financial statements of Al-Salam Holding Group Company.

The following illustrates the Company's total assets for both years:



#### Liabilities & Shareholders Equity

The Group's share capital in year 2013 witnessed an increase by 7% to reach KD 25,680,000 as a result of the bonus shares distribution. Also to mention that the Company is free of leverage as there are no debts or obligations on the Company for third parties in 2013. But the restructuring of the investment assets have had a direct impact on accounts payable where it has increased in 2013 by 46% compared to 2012 amounted to KD 3,188,995 and also due to the expansion of Al-Sary Company activities, in which it acquired some assets to support its expansion policy for future contracting. The Company's total liabilities stood at KD 3,286,465 by end of 2013.

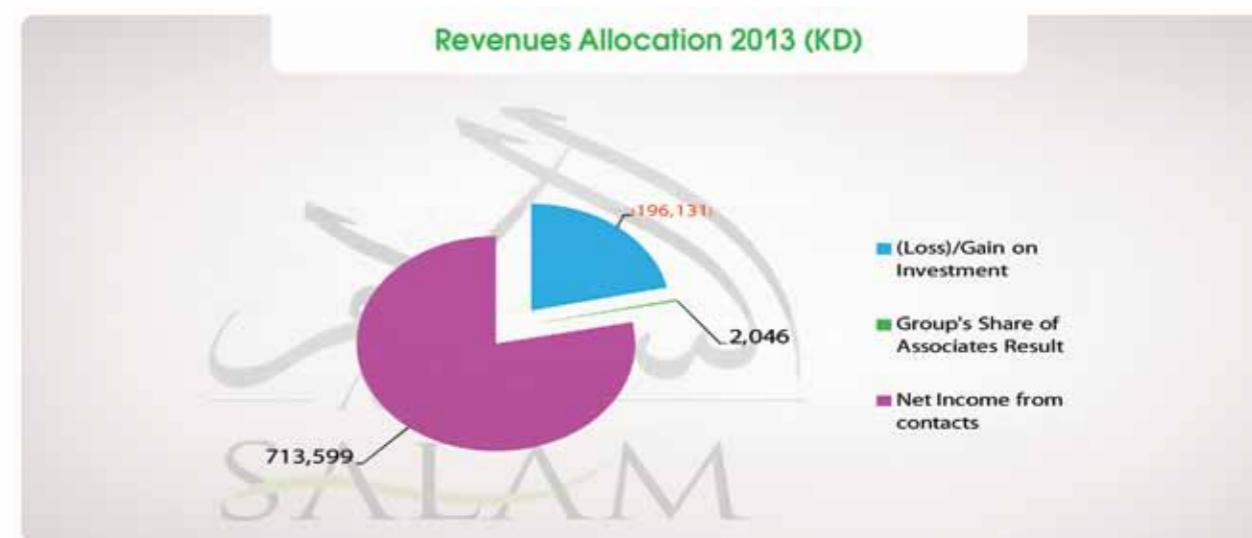
### Liabilities & Shareholders Equity 2013 - 2012 (KD)



#### Revenues

The process of restructuring Al-Salam Group assets made by management during year 2013 was to support the sustainable growth of the Company and the achievement of greater benefit to the shareholders in the near future and that, God willing, will bear fruit in the coming years. And thus, assets have been restructured and the distribution of the assets portfolio has changed based on the available opportunities for our Group to exit from some of the investments. This resulted in a decline in the net profit attributable to the shareholders of the parent company which amounted to KD 188,238 in 2013 compared to 2012 which was KD 2,492,885 and this was due to several reasons, including the reclassification of the Group's investment in Sarh Capital Real Estate Company where a part of it was sold during the year and our Group ownership percentage stood at 17.54%, resulting that the Group's share in results from associate companies witnessed a remarkable decline reaching to KD 2,046 in 2013 compared to 2012 which was KD 1,092,259. On the other hand, the Group didn't recognize any revenue from financing and musharaka investment during 2013 as a result that the Group had already collected such amount, as the largest share of revenue for this year was coming from revenues from contracts amounting to KD 713,599 .

Also the general and administrative expenses increased by 100% to reach KD 320,738 for 2013 compared to 2012 which was KD 156,901 due to consolidating the financials of acquired companies that took place during the year.



#### Profitability

| Indicator  | 2013           | 2012      |
|--|----------------|-----------|
| Net Profit attributable to Shareholders of the Parent Company (KD) | <b>188,238</b> | 2,492,885 |
| Earnings per Share (Fils)  | <b>0.73</b>    | 10.04     |
| Return on Equity %   | <b>0.60</b>    | 7.43      |
| Return on Assets %   | <b>0.53</b>    | 6.94      |
| Book Value per Share (Fils)  | <b>126</b>     | 140       |



# Shari'ah Supervisory Report

Praise be to Allah alone and peace and blessings  
be upon the Prophet after him,  
his family and companions.  
To the Shareholders of Al Salam Group Holding  
Company, K.S.C (public)

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

Kuwait, 3/4/2014



**Dear Shareholders,**

**Al-Salam Group Holding Company, K.S.C (public)**

**Kuwait**

Shari'ah Compliance Report,

We have audited the contracts and the transactions executed by Al-Salam Group Holding Company (the Company) and its subsidiaries (together referred as the Group) during the financial year ended on 31/12/2013 to express an opinion about the extent of the Company's compliance with the rules of Shari'ah as per the Shari'ah standards issued from the Shari'ah Board for Accounting and Auditing Islamic Financial Institutions, decisions of doctrinal Associations and legal authorities accepted by us.

Responsibility of the Management on Shari'ah Compliance,

The compliance responsibility to implement the contracts and the transactions according to the provisions of Islamic Shari'a accepted by us shall reside with the Company's management. The management is also responsible about the required Internal Shari'ah Control to assure the execution of the contracts and the transactions according to the provisions of Islamic Shari'a accepted by us.

Responsibility of Shari'a Control Board,

Our responsibility is limited to expressing an independent opinion about the Company's compliance with accepted by us rules and principles of Shari'ah based on our audit. We have conducted our audit in accordance with standards and criteria issued by Accounting and Auditing Islamic Financial Institutions and in accordance with the international standards of assurance operations issued by the International Auditing and Assurance Standards Board that both require us to abide by professional code of ethics and plan and implement the required auditing procedures to obtain all information, interpretations, representations and assurances that we deem necessary to provide us with adequate evidences to give a reasonable assurance that the Company is in compliance with the accepted by us rules of Islamic Sharia.

Audit performance include procedures to obtain audit proves in regards to the extent of compliance with Shari'ah rules and principles accepted by us. We believe that audits carried out by us provide an appropriate basis to give our opinion.

Opinion,

- In our opinion, all contracts and transactions executed by the Group during the financial year ended on 31/12/2013 were executed in compliance with the sharia'h laws and principles accepted by us.

Zakat,

The Company's Zakat was calculated in accordance with the criteria approved by us and under our supervision. The due Zakat amount on shareholders (investors) for the year ended 31/12/2013 is KD682,317 which is KD0.00266 per share. The company is not entitled to pay Zakat and therefore the payment of Zakat resides under the shareholders' responsibility.

- Trader's Zakat calculation equation:

number of shares held x market price per share as on the Zakat date x (2.5% for Hijri year and 2.577% for the Gregorian year)

Allah's peace, mercy and blessings be upon you.

**Dr. Abdul Bari Mashal**  
Chairman, Shari'ah Board

**Sheikh. Mohamed Fouad Al-Badr**  
Member, Shari'ah Board

**Sheikh. Mohamad Omar Al-Jasser**  
Member, Shari'ah Board

Al Salam Group Holding Company, K.S.C (public)  
and its subsidiaries  
State of Kuwait

Consolidated Financial Statements  
and Independent Auditors' Report  
For the year ended 31 December 2013

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# Independent Auditors Report

To Shareholders,  
Al Salam Group Holding Company,  
K.S.C (public)  
and its subsidiaries  
Kuwait

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Salam Group Holding Company - K.S.C (Public) - (the Parent Company) and its subsidiaries (together referred to as "the group") - which comprise the consolidated statement of financial position as of December 31, 2013 and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

## Management of the Parent Company 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 misstatements, 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Parent Company'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 Parent Company'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 reasonable basis for our audit opinion on the consolidated financial statements.

## Opinion

In our opinion - the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Al Salam Group Holding Company - K.S.C (Public) and its subsidiaries - as of December 31, 2013 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards.

## Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company, physical counting was carried out in accordance with recognized practices, the consolidated financial statements together with the financial contents of the report of the Board of Directors are in accordance therewith. Also, we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements incorporate the information that is required by the Companies' Law no. 25 of year 2012, as amended, and related Executive Regulations, law no. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its regulation and the Parent Company's Memorandum and Articles of Association. According to the information available to us, there were no violations have occurred of either the Companies' Law no. 25 of year 2012, as amended, and related Executive Regulations, law no. 7 of 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its regulation or of the Company's Memorandum and Articles of Association during the financial year ended December 31, 2013 that might have had a material effect on the Parent Company's business or its consolidated financial position.



**Ali A. Al-Hasawi**  
License No. 30 (A)  
Rödl Middle East  
Burgan - International Accountants

March 10, 2014  
State of Kuwait



**Adel Al- Sanea**  
Auditors Registry No. 86 Category (A)  
Kuwaiti Accountant Auditing  
A member of H.L.B International

## Consolidated Statement of Financial Position

as of December 31, 2013  
\*All amounts are in Kuwaiti Dinars\*

|   | Note | 2013              | 2012              |
|---|------|-------------------|-------------------|
| <b>Assets</b>   |      |                   |                   |
| Cash and cash equivalents                                 |      | 1,025,355         | 271,493           |
| Investments at fair value - statement of income           | 5    | 5,056,560         | 6,733,079         |
| Finance and Musharka                                      |      | -                 | 444,401           |
| Accounts receivable and other debit balances              | 6    | 3,248,433         | 2,252,050         |
| Available for sale investments                            | 7    | 11,528,541        | -                 |
| Investment in associates                                  | 8    | 8,894,726         | 22,593,497        |
| Intangible assets   | 9    | 4,649,170         | 2,654,644         |
| Property and equipment                                    | 10   | 1,377,020         | 982,354           |
| <b>Total assets</b>                                       |      | <b>35,779,805</b> | <b>35,931,518</b> |
| <b>Liabilities and equity</b>                             |      |                   |                   |
| <b>Liabilities</b>  |      |                   |                   |
| Accounts payable and other credit balances                | 11   | 3,188,995         | 2,171,302         |
| Provision for end of service indemnity                    |      | 97,470            | 105,182           |
| <b>Total liabilities</b>                                  |      | <b>3,286,465</b>  | <b>2,276,484</b>  |
| <b>Equity</b>   |      |                   |                   |
| Share capital   | 12   | 25,680,000        | 24,000,000        |
| Share premium   | 13   | 5,904,559         | 5,904,559         |
| Statutory reserve   | 14   | 616,237           | 596,930           |
| Voluntary reserve   | 15   | 17,978            | 17,978            |
| Cumulative changes in fair value                          |      | (1,333,716)       | 21,927            |
| Gains on sale of treasury shares                          |      | 730,372           | 730,372           |
| Retained earnings   |      | 846,613           | 2,357,682         |
| Equity attributable to shareholders of the Parent Company |      | 32,462,043        | 33,629,448        |
| Non controlling interests                                 |      | 31,297            | 25,586            |
| <b>Total equity</b>                                       |      | <b>32,493,340</b> | <b>33,655,034</b> |
| <b>Total liabilities and equity</b>                       |      | <b>35,779,805</b> | <b>35,931,518</b> |



**Meshari Ahmed Al Majed**  
Chairman

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

## Consolidated Statement of Income

for the year ended December 31, 2013  
\*All amounts are in Kuwaiti Dinars\*

|  | Note | 2013           | 2012             |
|--|------|----------------|------------------|
| <b>Revenue</b>   |      |                |                  |
| (losses) / gain on investments   | 16   | (196,131)      | 574,349          |
| Group's share of associates' results   |      | 2,046          | 1,092,259        |
| Net contracting income   |      | 713,599        | 822,562          |
| Finance and Musharka income  |      | -              | 241,815          |
| Other income   |      | -              | 117              |
| General and administrative expenses  | 17   | (320,738)      | (156,901)        |
| <b>Net profit for the year before calculate Contribution to Kuwait Foundation for the Advancement of Science, Zakat and National Labor Support Tax</b> |      | <b>198,776</b> | <b>2,574,201</b> |
| Contribution to Kuwait Foundation for the Advancement of Science   |      | -              | (3,982)          |
| Zakat  |      | -              | (6,557)          |
| National Labor Support Tax   |      | (4,827)        | (64,353)         |
| <b>Net profit for the year</b>   |      | <b>193,949</b> | <b>2,499,309</b> |
| <b>Attributable to:</b>  |      |                |                  |
| Shareholders of the Parent Company   |      | 188,238        | 2,492,885        |
| Non-controlling interests  |      | 5,711          | 6,424            |
| <b>Net profit for the year</b>   |      | <b>193,949</b> | <b>2,499,309</b> |
| <b>Earnings per share / (fils)</b>   | 18   | <b>0.73</b>    | <b>10.04</b>     |

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

**Consolidated Statement of Comprehensive Income**for the year ended December 31, 2013  
\*All amounts are in Kuwaiti Dinars\*

|   | 2013               | 2012             |
|---|--------------------|------------------|
| Net profit for the year                               | 193,949            | 2,499,309        |
| <b>Other comprehensive income :</b>                   |                    |                  |
| Cumulative changes in fair value                      | (1,355,643)        | 2,342,887        |
| Gains on sale of treasury shares                      | -                  | 334,793          |
| Total other comprehensive (loss) /income for the year | (1,355,643)        | 2,677,680        |
| <b>Total comprehensive (loss)/income for the year</b> | <b>(1,161,694)</b> | <b>5,176,989</b> |
| <b>Attributable to:</b>                               |                    |                  |
| Shareholders of the Parent Company                    | (1,167,405)        | 5,170,565        |
| Non-controlling interests                             | 5,711              | 6,424            |
| <b>Total comprehensive (loss)/income for the year</b> | <b>(1,161,694)</b> | <b>5,176,989</b> |

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

**Consolidated Statement of Cash Flows**for the year ended December 31, 2013  
\*All amounts are in Kuwaiti Dinars\*

|  | 2013             | 2012           |
|--|------------------|----------------|
| <b>Cash flows from operating activities</b>                                    |                  |                |
| Net profit for the year  | 193,949          | 2,499,309      |
| <b>Adjustments</b>   |                  |                |
| Provision for end of service indemnity   | 26,976           | 14,447         |
| Losses / (gains) on investments  | 196,131          | (574,349)      |
| Depreciation   | 219,793          | -              |
| Finance and Musharka income  | -                | (241,815)      |
| Group's share of associates' results   | (2,046)          | (1,092,259)    |
| Adjusted profit before calculate the effect of change in working capital items | 634,803          | 605,333        |
| Investments at fair value - statement of income                                | 1,512,774        | (886,290)      |
| Accounts receivable and other debit balances                                   | (996,383)        | (5,755,627)    |
| Accounts payable and other credit balances                                     | 621,914          | 24,698         |
| Cash generated from / (used in) operations                                     | 1,773,108        | (6,011,886)    |
| End of service indemnity paid  | (34,688)         | -              |
| Net cash generated from / (used in) operating activities                       | 1,738,420        | (6,011,886)    |
| <b>Cash flows from investing activities</b>                                    |                  |                |
| Available for sale investments   | (6,568,721)      | 3,817,189      |
| Property and equipment   | (204,124)        | 3,313          |
| Cash dividends received  | -                | 900            |
| Investments in associates  | 7,352,968        | 9,446,756      |
| Acquisition of a subsidiary  | (1,994,526)      | (3,367,101)    |
| Net cash (used in)/generated from investing activities                         | (1,414,403)      | 9,901,057      |
| <b>Cash flows from financing activities</b>                                    |                  |                |
| Finance and Musharka   | 444,401          | -              |
| Islamic debt instruments   | -                | (4,649,723)    |
| Proceeds from sale of treasury shares  | -                | 2,014,793      |
| Cash dividends paid  | (14,556)         | (1,033,195)    |
| Net cash generated from/(used in) financing activities                         | 429,845          | (3,668,125)    |
| Net increase in cash and cash equivalents                                      | 753,862          | 221,046        |
| Cash and cash equivalents at beginning of the year                             | 271,493          | 50,447         |
| <b>Cash and cash equivalents at end of the year</b>                            | <b>1,025,355</b> | <b>271,493</b> |

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

## Consolidated Statement of Changes in Equity

for the year ended December 31, 2013

\*All amounts are in Kuwaiti Dinars\*

|  | Share capital     | Share premium    | Statutory reserve | Voluntary reserve | Treasury shares | Cumulative changes in fair value | Gains on sale of treasury shares | Retained earnings | Total equity attributable to shareholders of the Parent Company | Non controlling interests | Total             |
|--|-------------------|------------------|-------------------|-------------------|-----------------|----------------------------------|----------------------------------|-------------------|---|---------------------------|-------------------|
| Balance at January 1, 2012                       | 24,000,000        | 5,904,559        | 340,153           | 17,978            | (1,680,000)     | (2,320,960)                      | 395,579                          | 1,281,574         | 27,938,883  | -                         | 27,938,883        |
| Net profit for the year                          | -                 | -                | -                 | -                 | -               | -                                | -                                | 2,492,885         | 2,492,885   | 6,424                     | 2,499,309         |
| Other comprehensive income / (loss) for the year | -                 | -                | -                 | -                 | -               | 2,342,887                        | 334,793                          | -                 | 2,677,680   | -                         | 2,677,680         |
| Total comprehensive income / (loss) for the year | -                 | -                | -                 | -                 | -               | 2,342,887                        | 334,793                          | 2,492,885         | 5,170,565   | 6,424                     | 5,176,989         |
| Transferred to statutory reserve                 | -                 | -                | 256,777           | -                 | -               | -                                | -                                | (256,777)         | -   | -                         | -                 |
| Cash dividends                                   | -                 | -                | -                 | -                 | -               | -                                | -                                | (1,160,000)       | (1,160,000)   | -                         | (1,160,000)       |
| Sale of treasury share                           | -                 | -                | -                 | -                 | 1,680,000       | -                                | -                                | -                 | 1,680,000   | -                         | 1,680,000         |
| Acquisition of subsidiary                        | -                 | -                | -                 | -                 | -               | -                                | -                                | -                 | -   | 19,162                    | 19,162            |
| Balance at December 31, 2012                     | 24,000,000        | 5,904,559        | 596,930           | 17,978            | -               | 21,927                           | 730,372                          | 2,357,682         | 33,629,448  | 25,586                    | 33,655,034        |
| Balance at January 1, 2013                       | 24,000,000        | 5,904,559        | 596,930           | 17,978            | -               | 21,927                           | 730,372                          | 2,357,682         | 33,629,448  | 25,586                    | 33,655,034        |
| Bonus shares (note - 22)                         | 1,680,000         | -                | -                 | -                 | -               | -                                | -                                | (1,680,000)       | -   | -                         | -                 |
| Net profit for the year                          | -                 | -                | -                 | -                 | -               | -                                | -                                | 188,238           | 188,238   | 5,711                     | 193,949           |
| Other comprehensive loss for the year            | -                 | -                | -                 | -                 | -               | (1,355,643)                      | -                                | -                 | (1,355,643)   | -                         | (1,355,643)       |
| Total comprehensive (loss)/ income for the year  | -                 | -                | -                 | -                 | -               | (1,355,643)                      | -                                | 188,238           | (1,167,405)   | 5,711                     | (1,161,694)       |
| Transferred to statutory reserve                 | -                 | -                | 19,307            | -                 | -               | -                                | -                                | (19,307)          | -   | -                         | -                 |
| <b>Balance at December 31, 2013</b>              | <b>25,680,000</b> | <b>5,904,559</b> | <b>616,237</b>    | <b>17,978</b>     | <b>-</b>        | <b>(1,333,716)</b>               | <b>730,372</b>                   | <b>846,613</b>    | <b>32,462,043</b>   | <b>31,297</b>             | <b>32,493,340</b> |

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

Note to the Consolidated Financial Statements for the year ended December 31, 2013  
\*All amounts are in Kuwaiti Dinars unless stated otherwise\*

## 1. Incorporation and activity

Al Salam Group Holding Company - K.S.C (Public) was incorporated on November 9, 1997.

The Parent Company's main activities are as follows:

- Owning shares in Kuwait or Foreign shareholding or limited liability companies, or participating in establishing these companies and managing and lending them and providing guarantees on their behalf to others.
- Lending the companies in which it owns shares and providing guarantees on behalf of those companies to others, providing that the holding Company's ownership percentage in the share capital of the borrowed Company must be at least 20%.
- Owning industrial equity of patents, industrial trademarks, industrial fees or any other rights related to that and franchise them to other companies to utilize them inside Kuwait or abroad.
- Owning the necessary movables and properties to carry out its activity in accordance with the Law.

The Parent Company may have an interest in, or may participate in any form with the institutions that have a similar business or that will assist the Parent Company to achieve its objectives inside or outside Kuwait and it may establish or participate in or acquire these institutions or join them.

The registered address of the Parent Company is: Al-Qibla - Plot (5) - Building (11) owned by Mousa Abdullwahab Al Naqee - Kuwait.

The Board of Directors approved these consolidated financial statements for the year ended December 31, 2013 for issue on March 10, 2014.

## 2. Application of new and revised International Financial Reporting Standards (IFRSs)

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year and the amended and new Standards which are effective for annual period beginning on or after January 1, 2013.

## 2.1 Standards effective for the current year:

**IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets**

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The Group does not have any assets with these characteristics.

**IAS 1 Presentation of Items of Other Comprehensive Income (amendments)**

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, 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). The amendment affects presentation only and has no impact on the financial position or performance.

**IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments)**

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.

**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 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee and 3) the ability to use its power over the investee to affect the amount of the returns. Further in November 2012, IASB has issued an amendment to IFRS 10 Consolidated Financial Statements to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments.

#### **IFRS 11 Joint Arrangements**

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures.

#### **IFRS 12 Disclosure of Involvement with Other Entities**

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. 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.

#### **IFRS 13: Fair Value Measurement**

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

## 2.2 Standards issued but not yet effective:

Below are the new and revised IFRSs that are not yet mandatorily effective for the year ending December 31, 2013 (but allow early application).

#### **IFRS 9 financial instruments (as revised in 2010) (Effective for annual periods beginning on or after January 1, 2015)**

IFRS 9 is a new standard for financial instruments that is ultimately intended to replace IAS 39 in its entirety

- The replacement project consists of the following phases:
- Phase 1: classification and measurement of financial assets and financial liabilities.
- Phase 2: Impairment Phase.
- Phase 3: Hedge accounting.

#### **Amendments of IAS 32 offsetting financial assets and financial liabilities (Effective for accounting periods beginning on or after January 1, 2014)**

The amendments to IAS 32 clarify existing application issue relating to the offsetting requirements. Specifically, the amendments clarify the meaning of currently has a legally enforceable right of set-off: and simultaneous relation and settlement. The amendments to IAS 32 are effective for annual periods beginning on or January 1, 2014. Retrospective application is required.

#### **Amendments to IFRS 10, 12 and IAS 27 investment Entities (Effective for accounting periods beginning on or after January 1, 2014)**

The amendments to IFRS 10 introduce an exception from the requirements to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

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

In general, the amendments require retrospective application, with specific transitional provisions.

The management anticipates that the new standards will be adopted in the group's accounting policies for the period beginning on or after the effective date of the pronouncement, and those new standards that have been issued but are not relevant to the group's operations will not be expected to have a material impact on the group's consolidated financial statements.

## 3. Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

### 3.1 Basis of presentation

- These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Companies Law requirements.
- The accounting policies used in preparation of these consolidated financial statements are consistent with those used in preparation of the consolidated financial statements of the previous year.

### 3.2 Accounting convention

- These consolidated financial statements are prepared under the historical cost convention, adjusted through the revaluation of some assets according to fair value as explained in detail in the accompanying policies and disclosures.
- The consolidated financial statements are prepared in Kuwaiti Dinar.

### 3.3 Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that may 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. Although these estimates are based on management best knowledge, the actual results may differ from those estimates.

### 3.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, at banks and short term deposits with a maturity date not exceeding three months from the date of deposit.

### 3.5 Basis of consolidation the financial statements

The consolidated financial statements include the financial statements of Parent Company and its subsidiaries as of December 31, 2013 (Note - 4).

Subsidiaries are the companies controlled by the group. Control is achieved where the group directly or indirectly has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The results of subsidiaries acquired (or disposed of during the year) are included in the consolidated financial statements from the date of acquisition (or up to the date of disposal).

The financial statements of subsidiary are consolidated on a line-by-line basis by adding together alike items of assets, liabilities, revenues and expenses.

All inter-company balances and transactions, including unrealized profits or losses between the companies, are eliminated when preparing the consolidated financial statements. The consolidated financial statements are prepared using consistent accounting policies and for like transactions and other events in the same circumstances.

The financial statements of subsidiary are prepared at the same date or within three months before the financial year ends of the group, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist between the subsidiaries financial year date and the group's financial year date.

Non-controlling interests represent the portions of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated financial position separately from the equity of the shareholders. Acquisition of subsidiaries are accounted according to the purchasing method as the cost of acquisition represents the fair value of the amounts paid, assets acquired and liabilities that carried to acquire the subsidiary in addition to the direct costs related to the acquisition.

Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill, if the cost acquisition is less than fair value of the net assets of the subsidiary acquired the difference is recognized directly (decreased when acquired) in the consolidated statement of income in the period of acquisition.

### 3.6 Financial instruments

#### Classification

The investments classification depends upon the purpose of acquisition the investment. Management determines this classification at initial acquisition of financial instruments and reviews this classification at the preparation of consolidated financial statements. The group classified its financial instruments as follows:

#### Financial assets at fair value - statement of income

A financial asset is classified in financial asset at fair value if it acquired principally for the purpose of selling in the short term or if the management decides to classify it in the initial recognition.

#### Financial assets available for sale

These are non-derivative financial assets that are not included in any of the above categories and are principally acquired to be held for an indefinite period of time which could be sold when liquidity is needed or upon changes in rates of profit.

#### Recognition and de-recognition

Financial instrument is recognized when the group becomes a party to a contracted commitment of a financial instrument. Regular purchase and sale of financial assets are recognized on settlement date - the date on which the group receives or delivers the asset. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership to another party.

#### Measurement

All investments are initially recognized at fair value plus transaction costs for all investments not carried at fair value - statement of income as its transaction costs are recognized in the consolidated statement of income. Subsequently, financial assets at fair value - statement of income and financial assets available for sale are re-measured at fair value.

Unrealized gains and losses arising from changes in the fair value of financial assets at fair value - statement of income are included in the consolidated statement of income in the period in which they arise. Changes in fair value of financial assets available for sale are recognized directly in equity. When available for sale investments are sold or impaired, the accumulated changes in fair value recognized in equity are included in the consolidated statement of income.

#### Fair value

The fair value of financial instruments in a regular financial market is based on last bid prices.

For the unquoted investments, the group establishes fair value by reference to other instruments that are substantially similar or by using the expected discounted cash flows discounted by the current ratios applied for similar items that have similar risks and circumstances. Available for sale investments, with no available reliable measurement instrument to determine its fair value are carried at cost less impairment.

#### Impairment in value

The group assesses at each consolidated financial position date whether there is 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 investments, a significant or prolonged decline in the fair value of these investments below its cost is considered as an indicator that these investments are impaired.

If any evidence for impairment exists for available for sale financial assets, the cumulative losses measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that financial asset previously recognized in prior years are transferred from equity to the consolidated statement of income.

Impairment losses recognized on equity instruments are not reversed through the consolidated statement of income again.

### 3.7 Investment in associates

An associate is the company over which the group exerts significant influence. Investment in associates is accounted under the equity method.

Under the equity method, the investment in associate is initially recorded at cost and adjusted with changes after acquisition in the group's share of the associate's equity. The goodwill related to acquire an associate is included in the book value of the investment and not amortized.

The group recognizes its share in profits or losses of an associate realized in the consolidated statement of income from the date that the influence started effectively until the date that influences effectively ended. Adjustments on the carrying amount may also be necessary to reflect the changes in the group's share in

the associate arising from changes in the associate's equity. The group share as a result of these changes is recognized in the equity.

Unrealized gains from transactions with associates are eliminated to the extent of the group's share in the associate, unrealized losses are eliminated unless the transaction provides evidence of impairment in value of the asset transferred. An assessment for impairment in investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associate's financial statements are prepared at the same date of the group's reporting date or to a date not earlier than three months of the group's reporting date using consistent accounting policies. There were adjustments made to reflect the effects of significant transactions and other events that occurred between the associate financial year end and the group's financial year end.

### 3.8 Intangible assets and goodwill

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets with indefinite useful lives are not subject to amortization and are tested at least annually for impairment.

Intangible assets which have a finite life are amortized over their useful lives. 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 the associates at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is allocated to each cash generating unit for the purpose of impairment testing. Goodwill is testing at least annually for impairment and carried at cost less accumulated impairment losses. Gain or losses on disposal of the subsidiary or a part of the subsidiary include the carrying amount of goodwill relating to the subsidiary or the portion sold.

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 assets 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 income and that relating to goodwill cannot be reversed in the subsequent periods.

### 3.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. The recoverable value of property and equipment are reviewed at the consolidated financial position date. If the recoverable value for property and equipment decreased from the book value in which case the book value is written down to the recoverable value. If the useful lives are different from its estimated lives then the useful lives are adjusted from the beginning of the year in which the change occurred in without going into retroactive periods.

Property and equipment are depreciated on straight line basis to reduce its value to the residual value over their estimated useful lives. The useful lives of the property and equipments are as follow:

|                              |     |
|------------------------------|-----|
| Furniture and air conditions | 20% |
| Machines and equipment       | 10% |
| Decorations and fixtures     | 20% |
| Motor vehicles               | 15% |
| Computers                    | 20% |

### 3.10 Impairment of non-financial assets

At each consolidated financial position date, the group reviews the carrying amounts of its non-financial assets, to determine whether there is any objective evidence that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated and an impairment loss recognized in the consolidated statement of income for the difference between the assets recoverable amount is estimated and the carrying amount.

Reversal of impairment losses recognized in prior years is recorded as revenue, when there is an indication that the impairment losses, recognized for the asset no longer exist or has decreased.

### 3.11 Islamic debt instruments

The Islamic debt instruments are initially recognized at value which received from the contracts less transactions costs incurred. Islamic debt instruments are subsequently re-measured at amortized cost and the difference between net proceeds and the payable amount are recognized in the consolidated statement of income using effective cost method over the finance period.



### 3.12 Treasury shares

The treasury shares represents the shares of the Group purchased and were issue and then re-buy them later by the Group and has not been reissued or canceled. Treasury shares are accounted under cost method.

Under the cost method, the weighted average cost of the treasury shares is charged to an account in equity. When the treasury shares are sold, gains are credited in a separate account in equity (Gain on sale of treasury shares) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on the same account. Any excess losses are charged to retained earnings then voluntary reserve then statutory reserve. Realized gains subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and gain on sale of treasury shares account respectively. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares with the same percentage and reduces the average cost per share without affecting the total cost of treasury shares.

### 3.13 Finance charges

Interest on Islamic debt instruments is calculated on the accrual basis and is recognized in the consolidated statement of income in the period in which it is incurred.

### 3.14 Provisions

Provision is recognized when the group has a present obligation (legal or constructive) 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 each consolidated financial position date and adjusted to reflect the current best estimate.

### 3.15 Revenue recognition

- Revenue from Finance and Musharka is recognized, based on periodic distribution to achieve consistent return on outstanding balances of these transactions.
- Dividends income is recognized when the group's right to receive it is established.
- Gains on sale of investments are recognized by the difference between the cash sale proceeds and the net book value of the investment sold.
- Other categories of income are recognized when earned, at the time the related services are rendered and / or based on the terms of the contractual agreement of each activity.

### 3.16 Foreign currencies

The functional currency of the group is the Kuwaiti Dinar ("KD") and accordingly, the consolidated financial statements are presented in KD. Transactions denominated in foreign currencies are translated into KD at the average rates of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated into KD at rates of exchange prevailing at the consolidated financial position date. The resultant exchange differences are taken to the consolidated statement of income.

### 3.17 Contingencies

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

## 4. Investments in subsidiaries

These consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

|   | Shareholding percentage % | Country of incorporation | Activity                        |
|---|---------------------------|--------------------------|---------------------------------|
| Al Dosr International for General Trading and Contracting Company (W.L.L) | 99%                       | Kuwait                   | General Trading and Contracting |
| Atlantic Group for General Trading and Contracting Company (W.L.L)        | 99%                       | Kuwait                   | General Trading and Contracting |

Al Dosr International for General Trading and Contracting Company (W.L.L) owing subsidiaries and their details are as follows :

|  | Shareholding percentage % | Country of incorporation | Activity                        |
|--|---------------------------|--------------------------|---------------------------------|
| Asal Holding Company K.S.C (Holding)                                 | 99.2%                     | Kuwait                   | Holding                         |
| Reflection Group for General Trading and Contracting Company (W.L.L) | 99%                       | Kuwait                   | General Trading and Contracting |

- During the year, the Group acquired shareholding ownership in both Atlantic Group for General Trading and Contracting Company (W.L.L) by 99% and Reflection Group for General Trading and Contracting Company (W.L.L) by 99% as the Group became exercises control over the financial and operating policies of these companies, accordingly they were classified as subsidiaries and their financial statements have been consolidated from the date of acquisition.

## 5. Investments at fair value - statement of income

|  | 2013             | 2012             |
|--|------------------|------------------|
| Investments in local shares - quoted   | 4,967,560        | 6,644,079        |
| Investments in local shares - unquoted | 89,000           | 89,000           |
|  | <b>5,056,560</b> | <b>6,733,079</b> |

- The investments have been evaluated in accordance with valuation technique methods in note (3/6).
- Investments in unquoted shares are valued in accordance with the estimated operations based on the available information on the financial position, results of operations of the investee companies, the expected future profits of these companies and by taking in consideration recent transactions on the shares with other parties in investee companies or similar companies.

## 6. Accounts receivable and other debit balances

|   | 2013             | 2012             |
|---|------------------|------------------|
| Due from related parties (Note - 19)        | 881,900          | 379,997          |
| Advance payments for purchasing investments | 504,168          | 444,841          |
| Trade receivables                           | 688,866          | 421,460          |
| Refundable depoists                         | 2,229            | 5,000            |
| Banks gurantee                              | 865,069          | 913,575          |
| Prepaid expenses                            | 265,419          | 10,710           |
| Staff receivables                           | 35,782           | 64,644           |
| Other                                       | 5,000            | 11,823           |
|   | <b>3,248,433</b> | <b>2,252,050</b> |

The carrying value of accounts receivable and other debit balances approximates its fair value. The maximum exposure to credit risks at the reporting date is the fair value of each class of other debit balances mentioned above.

## 7. Available for sale investments

|  | 2013              | 2012     |
|--|-------------------|----------|
| Investments in local shares - quoted   | 4,986,624         | -        |
| Investments in local shares - unquoted | 6,541,917         | -        |
|  | <b>11,528,541</b> | <b>-</b> |

- During the year , the Group's shareholding ownership in Sarh Capital Real Estate Company K.S.C.(Closed) decreased from 39.05% to 17.54% and transferred the remaining balance from the investment in Sarh Capital Real Estate Company K.S.C.(Closed) which amounting to KD 6,337,095 to available for sale investments with carrying value equivalents to its fair value approximately (Note-8)
- Investments in unquoted shares are evaluated in accordance with the estimated operations based on the available information on the financial position, results of operations of the investee companies, the expected future profits of these companies and by taking in consideration recent transactions on the shares with other parties in investee companies or similar companies.

## 8. Investments in associates

The details of these investments are as follow:

| Company name   | Shareholding percentage % |        | 2013             | 2012              |
|--|---------------------------|--------|------------------|-------------------|
|  | 2013                      | 2012   |                  |                   |
| Sarh Capital Real Estate Company K.S.C (Closed)            | -                         | 39.05% | -                | 14,130,840        |
| India Holding Company K.S.C (Holding)                      | <b>33.98%</b>             | 33.98% | <b>8,487,626</b> | 8,462,657         |
| Takaful International for Takaful Insurance K.S.C (Closed) | <b>41.71%</b>             | -      | <b>407,100</b>   | -                 |
|  |                           |        | <b>8,894,726</b> | <b>22,593,497</b> |

- During the year , the Group's shareholding ownership in the associate Sarh Capital Real Estate Company K.S.C.(Closed) decreased that was KD 14,130,840 at the beginning of the year though recording the Group's share in associate' results losses by an amount of KD 22,923 and the ownership decreased from 39.05% to 17.54% by selling interest its cost equals KD 7,770,822 that resulted in loss of KD 24,669 and transferred the remaining balance from the investment which amounting to KD 6,337,095 to available for sale investments with carrying value equivalents to its fair value approximately.
- During the year, the Group acquired shareholding percentage by 41.71% Takaful International for Takaful Insurance K.S.C (Closed) with an amount of K 407,100 , this investment has been recorded at cost and currently ,the Group is taking the necessary procedures to determine the fair of acquired assets and liabilities.
- The Group's share of associate results India Holding Company K.S.C (Closed) has been recognized based on the audited financial statements as of December 31, 2013.
- The investment balanced in India Holding Company K.S.C (Closed) includes goodwill with an amount of KD 1,455,038 and the Group's management believes that there no impairment in value of this investment during the year.

## 9. Intangible assets

This item represents the value of goodwill amounting to KD 2,654,644 resulted from acquisition of Asal Holding Company K.S.C. (Holding) though a subsidiary and goodwill amounting to KD 1,994,526 resulted from acquisition during the year of Atlantic Group for General Trading and Contracting Company (W.L.L) , that were calculated initially until allocating the purchase cost over the fair value of assets and liabilities , the Group's management believes that the no impairment in value of these investments during the year.

## 10. Property and equipment

|                                 | Furniture and Air condition | Machinery and Equipment | Decorations and fixtures | Vehicles       | Computers    | Total            |
|---------------------------------|-----------------------------|-------------------------|--------------------------|----------------|--------------|------------------|
| <b>Cost</b>                     |                             |                         |                          |                |              |                  |
| Balance at January 1, 2013      | 29,834                      | 757,530                 | 5,500                    | 743,323        | 3,127        | 1,539,314        |
| Additions                       | 4,338                       | 434,681                 | -                        | 173,361        | 2,079        | 614,459          |
| Balance at December 31, 2013    | 34,172                      | 1,192,211               | 5,500                    | 916,684        | 5,206        | 2,153,773        |
| <b>Accumulated depreciation</b> |                             |                         |                          |                |              |                  |
| Balance at January 1, 2013      | 17,247                      | 233,035                 | 5,499                    | 299,693        | 1,486        | 556,960          |
| Charged for the year            | 6,353                       | 87,179                  | -                        | 125,376        | 885          | 219,793          |
| Balance at December 31, 2013    | 23,600                      | 320,214                 | 5,499                    | 425,069        | 2,371        | 776,753          |
| <b>Net book value</b>           |                             |                         |                          |                |              |                  |
| <b>At December 31, 2013</b>     | <b>10,572</b>               | <b>871,997</b>          | <b>1</b>                 | <b>491,615</b> | <b>2,835</b> | <b>1,377,020</b> |
| At December 31, 2012            | 12,587                      | 524,495                 | 1                        | 443,630        | 1,641        | 982,354          |

- The additions for property and equipment item include an amount of KD 410,335 was acquired in accordance with term selling contracts, the effect of this transaction has been eliminated from the consolidated statement of cash flows as it was a non-cash transaction.

## 11. Accounts payable and other credit balances

|  | 2013             | 2012             |
|--|------------------|------------------|
| Due to related parties (Note -19)              | 1,649,428        | 1,325,370        |
| Payables for purchasing property and equipment | 586,533          | 199,948          |
| Accrued expenses                               | 169,610          | 141,057          |
| Trade payables                                 | 47,822           | 11,452           |
| Payables for purchasing financial investments  | 268,040          | 17,369           |
| Staff-leave provision                          | 60,556           | 49,844           |
| Taxable deductions                             | 294,757          | 275,707          |
| Dividends payables                             | 112,249          | 126,805          |
| Other  | -                | 23,750           |
|  | <b>3,188,995</b> | <b>2,171,302</b> |

## 12. Share capital

On May 13, 2013, the Extraordinary and Ordinary General Assembly of the Shareholders approved to issue bonus shares by 7% equals KD 1,680,000 equivalent to 16,800,000 share for the shareholders registered on the date of General Assembly.

The Parent Company's issued, authorized and paid-up share capital is KD 25,680,000 (Twenty Five Million and Six Hundred and Eighty Thousand Kuwaiti Dinar) divided into 256,800,000 shares (Two Hundred and Fifty Six Million and Eight Hundred Thousand shares) and all are in cash.

## 13. Share premium

The share premium is not available for distribution to shareholders, but can be used if the local laws don't state otherwise.

## 14. Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles and Memorandum of Association, 10% of net profit for the year before contribution to Kuwait Foundation for the Advancement of Science, Zakat and Board of Directors remuneration is transferred to the statutory reserve. The General Assembly may discontinue such annual transfer if the reserve exceeds half of the share capital. Distribution of the reserve is limited to the amount required to secure distribution of dividends reached 5 % in years when retained earnings of the group are not sufficient that amount.

## 15. Voluntary reserve

As required by the Parent Company's Articles and Memorandum of Association a percentage of the net profit for the year is transferred to the voluntary reserve proposed by the Board of Directors and approved by the General Assembly. Such transfer may discontinue by a resolution of the Ordinary General Assembly of the Shareholders based on a recommendation from the Board of Directors.

## 16. (Losses) / gains on investments

|  | 2013             | 2012           |
|--|------------------|----------------|
| (Losses)/gain on sale of investments                               | (24,860)         | 583,640        |
| Change in value of investments at fair value - statement of income | (171,271)        | (10,191)       |
| Cash dividends   | -                | 900            |
|  | <b>(196,131)</b> | <b>574,349</b> |

## 17. General and administrative expenses

|                               | 2013           | 2012           |
|-------------------------------|----------------|----------------|
| Staff costs                   | 178,409        | 36,997         |
| Rent                          | 10,970         | 10,320         |
| Subscriptions and fees        | 22,107         | 20,500         |
| Professional fees             | 18,112         | 8,044          |
| Promotions and advertising    | 50,779         | 8,344          |
| Traveling and transportations | 14,005         | 10,127         |
| Other                         | 26,356         | 62,569         |
|                               | <b>320,738</b> | <b>156,901</b> |

## 18. Earnings per share / (fils)

Earnings per share is computed by dividing the net profit for the year by the weighted average of ordinary shares outstanding during the year as follows:

|   | 2013        | 2012        |
|---|-------------|-------------|
| Net profit for the year   | 188,238     | 2,492,885   |
| Weighted average of outstanding shares during the year / (share)          | 256,800,000 | 256,800,000 |
| Weighted average of treasury shares / (share)                             | -           | (8,560,000) |
| Weighted average of outstanding shares less the treasury shares / (share) | 256,800,000 | 248,240,000 |
| Earnings per share / (fils)   | 0.73        | 10.04       |

## 19. Transactions with related parties

Related parties comprise of the associates, major shareholders, Board of Directors, key management personnel of the group, companies which they control or jointly controlled or significantly influence. The group's management determines the pricing policies and terms of these transactions. The balances and amounts due from/to related parties are interest free and have no specific maturity date.

The balances and movement of transactions with related parties which included in the consolidated financial statements are as follows:

|  | 2013      | 2012      |
|--|-----------|-----------|
| <b>Consolidated statement of financial position:</b> |           |           |
| Finance and Musharka                                 | -         | 444,401   |
| Due from related parties (Note - 6)                  | 881,900   | 379,997   |
| Due to related parties (Note - 11)                   | 1,649,428 | 1,325,370 |
| <b>Consolidated statement of income:</b>             |           |           |
| Finance and Musharka income                          | -         | 241,815   |

The transactions with related parties are subject to approval of the Shareholders' General Assembly.

## 20. Acquisition of subsidiaries

During the year, the Group has acquired both Atlantic Group for General Trading and Contracting Company (W.L.L) by shareholding ownership of 99% and Reflection Group for General Trading and Contracting Company (W.L.L) by shareholding ownership of 99%, accordingly the Group became exercising control over the financial and operating policies of these companies and they were classified as subsidiaries and their financial statements have been consolidated in the consolidated financial statements from the date of acquisition.

|  | Atlantic<br>Group for<br>General<br>Trading and<br>Contracting<br>Company | Reflection<br>Group for<br>General<br>Trading and<br>Contracting<br>Company |
|--|---|---|
| Net assets value of acquired company                                   | 3,675,654   | 50,000  |
| Acquisition cost   | 5,670,180   | 50,000  |
| <b>Goodwill (increase against the acquisition over the net assets)</b> | <b>1,994,526</b>  | -   |

## 21. Contingent liabilities

As of December 31, 2013, the Group had contingent liabilities consists of letters of guarantee amounted to KD 1,139,332 (December 31, 2012: KD 862,004).

## 22. Shareholders' General Assembly

The Shareholders' General Assembly approved on May 13, 2013 the consolidated financial statements for the year ended December 31, 2012 and approved Board of Directors' proposal to distribute bonus shares by 7% of the share capital of Parent Company for the financial year ended December 31, 2013.

## 23. Segmental information

The group has adopted IFRS 8 "Operating Segments" with effect from January 1, 2009 Under IFRS 8, reported segments are based on internal management reporting that is regularly reviewed by the Chief Operating Decision maker in order to allocate resources to the segment and to assess its performance and is reconciled to group profit or loss. In contrast, the previous Standard (IAS 14 "Segment Reporting") required an entity to identify two sets of segments (Business and Geographical).

The adoption of IFRS 8 has resulted in a change in the identification of the group's reportable segments. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its consolidated financial statements.

### A) Operating segments:

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Products segment for the group concentrate in investment activity and general trading and contracting.

### B) Geographical segments:

The group operates in one main geographical market; the local market in State of Kuwait.

## 24. Financial instruments and risks management

### A) Significant accounting policies

Details of the significant accounting policies - including the criteria for measurement and recognition of revenue and expenses - in respect of each class of financial assets and liabilities are disclosed in Note (3) to the consolidated financial statements.

### Categories of financial instruments

The group's financial assets and liabilities have been classified in the consolidated statement of financial position are as follows:

| Financial assets                                | 2013              | 2012             |
|---|-------------------|------------------|
| Cash and cash equivalents                       | 1,025,355         | 271,493          |
| Investments at fair value - statement of income | 5,056,560         | 6,733,079        |
| Finance and Musharka                            | -                 | 444,401          |
| Accounts receivable and other debit balances    | 3,248,433         | 2,252,050        |
| Available for sale investments                  | 11,528,541        | -                |
|   | <b>20,858,889</b> | <b>9,701,023</b> |

### Financial liabilities

|  | 2013      | 2012      |
|--|-----------|-----------|
| Accounts payable and other credit balances | 3,188,995 | 2,171,302 |

### Fair value of financial instruments

Fair value of financial instruments is defined as the amounts at which the asset could be exchanged or a liability settled in a current transaction between knowledgeable willing parties in an arm's length transaction other than in forced or liquidation sale. The group used recognized assumptions and methods to estimate the fair value of the financial instruments. The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid market is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from identifiable current market transactions and dealer quotes for similar financial instruments.
- The fair values of financial instruments carried at amortized cost are not significantly different from their carrying values.

### Fair value measurement recognized in the consolidated statement of financial position

The group adopted the amendments to IFRS 7 effective from January 1, 2012. These amendments require the group to present certain information about financial instruments measured at fair value in the consolidated statement of financial position

The following table presents financial assets and financial liabilities measured at fair value in the statement of consolidated financial position in accordance with the fair value hierarchy. This hierarchy group's financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

- 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant inputs to the fair value measurement.

The financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

| December 31, 2013                                      | Level 1          | Level 2  | Level 3          | Total             |
|--|------------------|----------|------------------|-------------------|
| <b>Assets:</b>   |                  |          |                  |                   |
| <b>Investments at fair value - statement of income</b> |                  |          |                  |                   |
| Quoted securities                                      | 4,967,560        | -        | -                | 4,967,560         |
| Unquoted securities                                    | -                | -        | 89,000           | 89,000            |
| <b>Investments at fair value - statement of income</b> | <b>4,986,624</b> | <b>-</b> | <b>-</b>         | <b>4,986,624</b>  |
| Quoted securities                                      | 4,986,624        | -        | -                | 4,986,624         |
| Unquoted securities                                    | -                | -        | 6,541,917        | 6,541,917         |
|  | <b>9,954,184</b> | <b>-</b> | <b>6,630,917</b> | <b>16,585,101</b> |
| <b>Liabilities:</b>                                    | <b>-</b>         | <b>-</b> | <b>-</b>         | <b>-</b>          |
| <b>Net fair value</b>                                  | <b>9,954,184</b> | <b>-</b> | <b>6,630,917</b> | <b>16,585,101</b> |

There were no transfers between the three levels during the year.

| December 31, 2012                                      | Level 1          | Level 2  | Level 3       | Total            |
|--|------------------|----------|---------------|------------------|
| <b>Assets:</b>   |                  |          |               |                  |
| <b>Investments at fair value - statement of income</b> |                  |          |               |                  |
| Quoted securities                                      | 6,644,079        | -        | -             | 6,644,079        |
| Unquoted securities                                    | -                | -        | 89,000        | 89,000           |
|  | <b>6,644,079</b> | <b>-</b> | <b>89,000</b> | <b>6,733,079</b> |
| <b>Liabilities:</b>                                    | <b>-</b>         | <b>-</b> | <b>-</b>      | <b>-</b>         |
| <b>Net fair value</b>                                  | <b>6,644,079</b> | <b>-</b> | <b>89,000</b> | <b>6,733,079</b> |

## B) Financial risks management

The group's use of financial instruments exposes it to a variety of financial risks such as credit risks, liquidity risks, and market risks.

The group continuously reviews its risks exposures and takes the necessary procedures to limit these risks to acceptable level.

### • Credit risks

Credit risk is the risk that one party to a financial instrument will fail to pay an obligation causing the other party to incur financial loss. Financial assets which potentially are subject the group to credit risk are mainly represented in cash and cash equivalents and accounts receivable and other debit balances. The group's cash and cash equivalents are placed with high credit rating financial institutions and also receivables are stated by net after deducting provision for doubtful debts (if any).

### • Liquidity risks

Liquidity risks are the risks that the group will be unable to meet its cash obligations. The management of liquidity risks consist of keeping sufficient cash, and arranging financing sources through enough facilities, managing highly liquid assets, and monitoring liquidity on a periodically basis by method of future cash flow.

The maturity of liabilities stated below based on the period from the consolidated financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

The maturity analysis of financial liabilities as of December 31, 2013 is as follows:

|  | During one year  | More than one year | Total            |
|--|------------------|--------------------|------------------|
| Accounts payable and other credit balances | 3,188,995        | -                  | 3,188,995        |
| Provision for end of service indemnity     | -                | 97,470             | 97,470           |
|  | <b>3,188,995</b> | <b>97,470</b>      | <b>3,286,465</b> |

The maturity analysis of financial liabilities as of December 31, 2012 is as follows:

|  | During one year  | More than one year | Total            |
|--|------------------|--------------------|------------------|
| Accounts payable and other credit balances | 2,171,302        | -                  | 2,171,302        |
| Provision for end of service indemnity     | -                | 105,182            | 105,182          |
|  | <b>2,171,302</b> | <b>105,182</b>     | <b>2,276,484</b> |

### • Market risks

Market risks comprises of interest rate risks , foreign currencies risks and equity price risks. These risks arise due to the changes in market prices, interest rates and exchange rates.

#### Foreign currencies risks

Foreign currencies risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

#### Interest rate risks

Interest rate risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates in the market.

As the group has no significant bearing interest assets therefore group's the income and its operating cash flows are not affected by changes in market rates.

#### Equity price risks

Equity price risks are the risks that the fair value of equities fluctuates as the result of changes in the levels of equity indices and the value of individual stocks. These risks resulted from changes in the fair value of the investments in stocks.

The group is exposed to equity price risks as the group held investments which were classified at the consolidated financial position date as investments at fair value - statement of income and available for sale investments.

The effect on profit and equity as result of change in fair value of investments at fair value - statement of income and available for sale investments as of December 31, 2013 as a result of expected changes in Kuwait Stock Exchange Market by (±10%) and with all other variables held constant as follows:

|                              | Effect on profit |         | Effect on equity |      |
|------------------------------|------------------|---------|------------------|------|
|                              | 2013             | 2012    | 2013             | 2012 |
| Kuwait Stock Exchange Market | 496,756          | 332,204 | 51,914           | -    |

The group manages these risks through diversifying its investment portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

## 25. Capital risks management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders and other Stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group comprises of equity that include share capital, share premium, reserves, cumulative changes in fair value, treasury shares, gains on sale of treasury shares, retained earnings and non-controlling interests.

Currently, the Group does not have borrowings or bank facilities.