ANNUAL REPORT 2012

AL SALAM

مجموعة السلام القابضة

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بسم الله الرحمن الرحيم

Their Highnesses

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

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

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

Contents

Board of Director

Meshari Ahmed Al-Majed
Chairman

Dr. Tareq Mohamed Al-Suwaidan
Vice Chairman

Sheikh / Sabah Salman Al-Sabah
Board Member

Mamdouh Abdelghani Al-Sherbini
Board Member

Hassan Darwish Al-Shamali
Board Member

Chairman's Speech

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.

Meshari Ahmed Al-Majed
Chairman

After Greeting,,

In my name and on behalf of the Board of Directors and the Executive Department 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 display through this speech the performance of Al-Salam Holding Group Company for the fiscal year ended on 31st December 2012 in addition to our vision of the Market and its indicators.

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

To determine the actual indicators in details, the assets of Al-Salam Holding Group Company increased by 7% amounting KD35,931,518 and such increase is related to the effect of the acquisition of Asal Holding Company which is a cash-generating service company, in addition to the rise in the value of the investments at fair value in the income statement of about KD1,597,474. On the other side, the Company reduced its liabilities by 60% reducing it from KD5,671,821 to KD2,276,484 by settlement of shares of the Islamic debt instruments. In the income statement, the Company has achieved positive results in all the revenues, including its share in the results of business of an Associate amounted KD1,092,259 after the results of the last year were negative for this sole item; the Company's net profit amounted KD2,499,309 and the earnings per share (EPS) amounted 10.74 fils continuing the path of profitability and earnings. In addition to the above mentioned acquisition process of Asal Holding Company, the Group has also acquired a stake of 39% in SARH Capital Real estate Company and a stock of 34% of India Holding Co.

The Company has optimistic outlook for the market, which was based on different economic and legislative indicators globally, regionally and locally. It is anticipated that 2013 would witness tangible start of the global market recovery with significant increase in the regulatory legislations that have positive impact on the investors' performance. At a regional level, GCC States are anticipated to achieve growth rate of 3.75% with oil production reaching stability level and maintaining prices above USD 100 in addition to flourishing of project business. With respect to legislations, an agreement has been reached regarding the final technical and procedural form of GCC Customs Union, which set to be implemented in 2015. It is one of the most important terms under the Economic Agreement and economic integration among member States whose total GDP is about USD 1.4 trillion. Locally, Financial & Economic Committee of the National Assembly ratified Companies Law under government and parliament agreement. Such Law "represents a positive development for economic affair in 2013/2014 and will improve business environment" according to the statement by Kuwait's Minister of Commerce and Industry. Furthermore, there has been an increase in the capital adequacy ratio with Kuwaiti banks averaging about 16.5% in December 2012. This ratio exceeds the global ratio imposed on banks as per the instructions issued by Basel Committee on Banking Supervision which is 8%.

As you are aware that Al-Salam Holding Group Company being an Islamic Investment Company, is very keen on adhere to the Role 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.

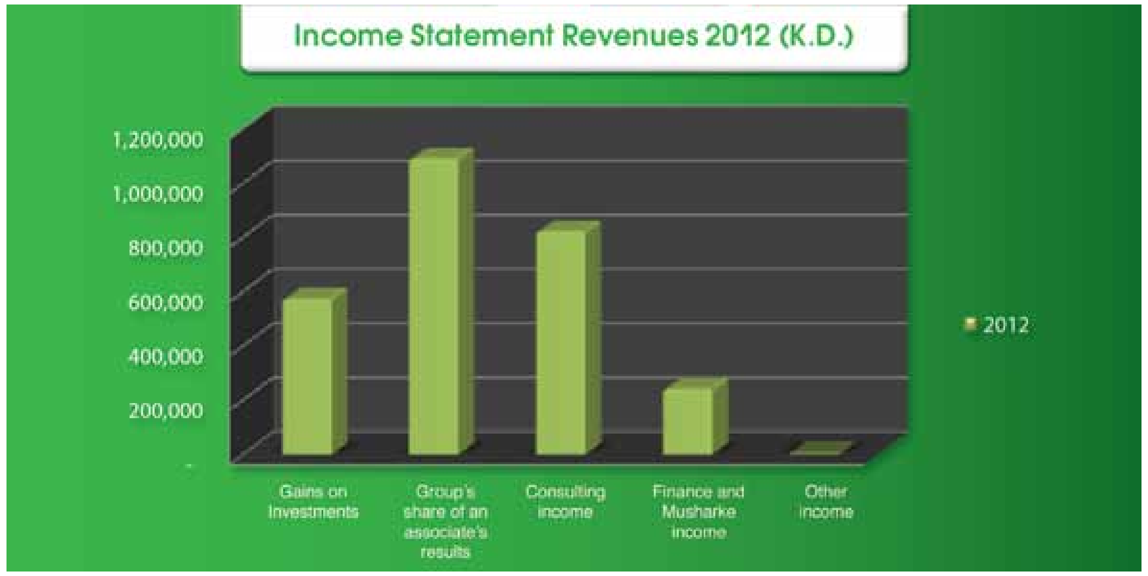
We have the pleasure, in the final part of the speech, considering the distinguished performance of the Company and its continued successful expansion operations and our optimistic view to the market to announce our recommendation of the Board of Directors to distribute this year 7% bonus shares of the paid capital, 16,800,000 shares, to the shareholders registered on the date of holding the General Assembly.

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.

Following is an analysis of the financial position as at 31st December 2012 according to the Company's performance over the year and the contents of the analysis are based on the audited financial statements.

The Revenues:

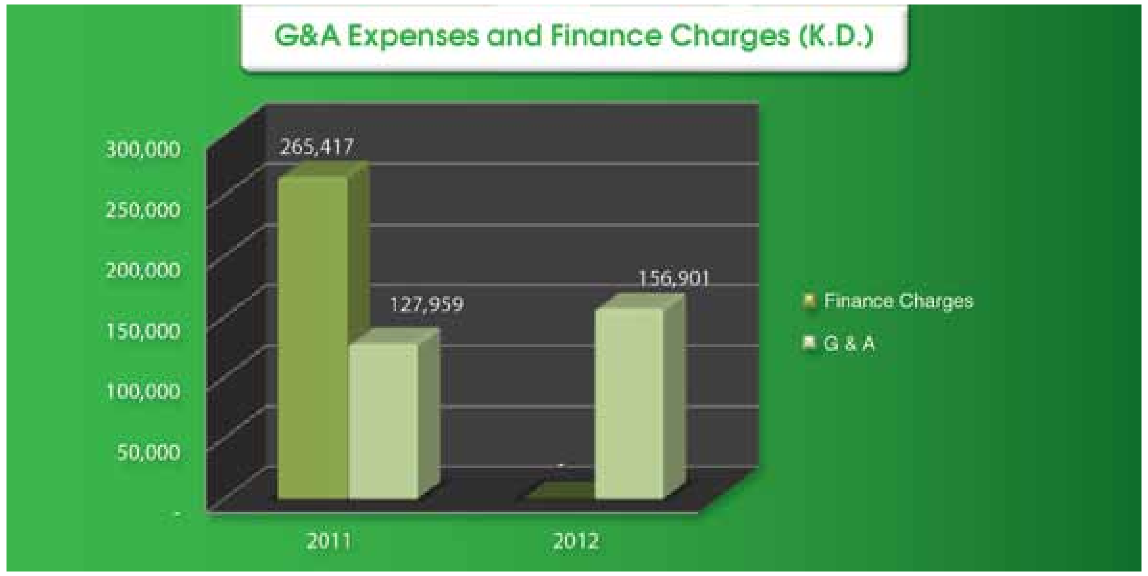
The Company has achieved in 2012 total revenues of KD2,731,102 and the most prominent development was the share of the Group in the results of the Associates business where the Group has achieved revenues amounted KD1,092,259, following the loss in the results of the Associates business last year of KD205,122. The Company has achieved net revenues from contracts amounted KD822,562 and the profits and earnings from the investments this year amounted KD574,349 and the Company has registered revenues from funding and participation amounted KD241,815.



Management Report of
Al Salam Group Holding Co. Activities for 2012

Expenses:

The total general and administrative expenses and finance charges have decreased in 2012 by 60% getting rid of the finance charges which last year was KD265,417 although the general and administrative expenses has increased by 23% which is about KD28,942 only. These expenses include staff cost, professional fees, traveling and transportation, fees of subscriptions, and other expenses.

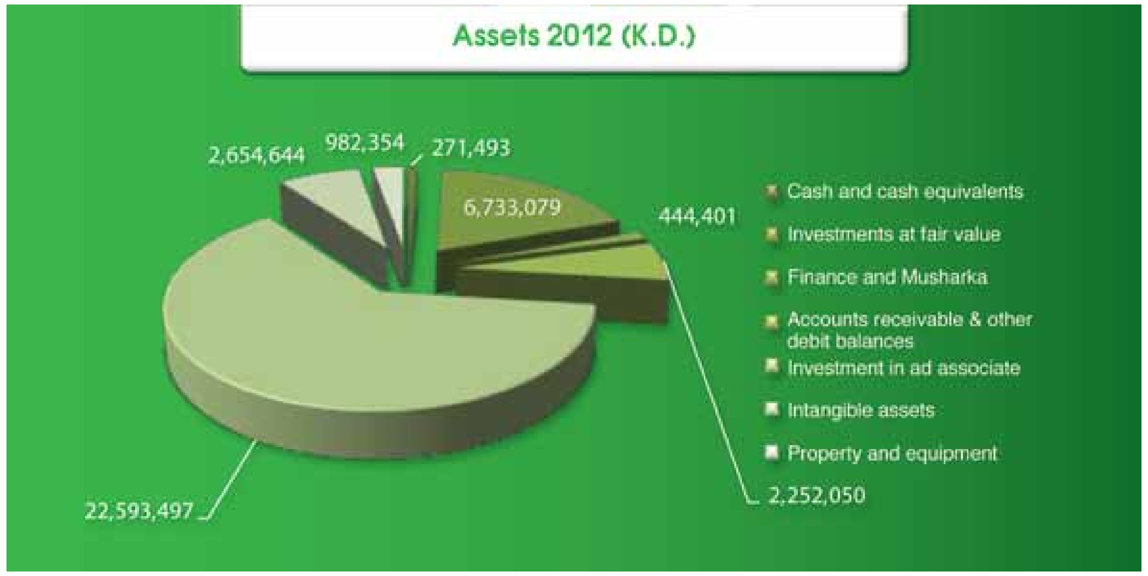


Profitability:

Indicators	2012
Net profit of the Year - K.D.	**2,492,885**
Return on Share - %	**10.74**
Return on Equity - %	**7.41**
Return on Assets - %	**6.94**
Book Value for Share – Fils	**140**

Assets:

The value of the Company's assets had achieved a 7% increase to reach KD35,931,518 . The increase of Investments at fair value was about 30% to amount KD6,733,079 . In addition, the value of receivables and other debit balances registered a rise amounted KD2,252,050 including KD 913,575 as Banks guarantees. As a result of acquisition of an affiliated company, properties and equipment amounted KD 982,354 was added to the Company's assets.



Liabilities and Equity:

The percentage of the equity in the Company's financing sources witnessed a rise to represent 94% at the end of year 2012 with total amount of KD 33,629,448, while the percentage of the equity within the Company's financing sources was 83% in 2011. The Company has reduced its liabilities by 60% and hence the total value of the liabilities amounted KD 2,276,484 end of 2012.

Management Report of
Al Salam Group Holding Co. Activities for 2012

Sharia'a 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 Co. K.S.C.- (Holding)

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

Date : 11/4/2013

رقابة العالمية للاستشارات الشرعية
RAQABA Global for Sharia'a Consultations

We have audited the contracts and the transactions executed by the Group and its subsidiaries during the financial year ended on 31/12/2012 to express an opinion about the extent of Group's compliance with with the rules of Sharia'a as per the Sharia'a standards issued from the Sharia Board for Accounting and Auditing Islamic Financial Institutions in the Kingdom of Bahrain, decisions of doctrinal Associations and legal authorities.

The compliance responsibility to implement such contracts and transactions according to the provisions of Islamic Shari'a shall reside with the Group's management. Our responsibility is limited to expressing an independent opinion about the Group's compliance with the same based on our audit.

We have conducted our audit in accordance with standards and criteria issued by Accounting and Auditing Islamic Financial Institutions which require us to plan and implement the audit 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 Group is in compliance with the rules of Islamic Sharia as stated by us.

We have conducted our audit on the basis of examining samples of each type of contracts and transactions executed during the period. We believe that audits carried out by us provide an appropriate basis to give our opinion.

In our opinion:

- The contracts and transactions executed by the Group during the financial year ended on 31/12/2012 did not generate any Shari'a forbidden revenues based on the audit we have conducted.
- The Company's Zakat was calculated in accordance with the criteria approved by us and under our supervision. The investor's Zakat per share is [0.0028463] after subtracting the Zakat paid to the State. The company is not entitled to pay Zakat and payment thereof is the shareholders' responsibility.
- Investor's Zakat calculation equation: number of shares held x [0.0028463]
- 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)

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh

Dr. Abdulbari Mashal	Sheikh. Mohammed Fou'ad Al-Bader	Sheikh. Mohammed Omar Al-Jaser
Head of Sharia'a Committee	Sharia'a Committee Member	Sharia'a Committee Member

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Independent Auditors Report

The Shareholders,
Al Salam Group Holding Company
K.S.C.- (Holding)
And its Subsidiaries
Kuwait

Rödl
Middle East

HLB Kuwaiti Accountant Auditing

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Salam Group Holding Company - K.S.C (Holding) - (the Parent Company) and its subsidiaries (together referred to as "the group") - which comprise the consolidated statement of financial position as of December 31, 2012 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 perpetration 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 (Holding) and its subsidiaries - as of December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company, and stocktaking was carried out in accordance with recognized practices, and the consolidated financial statements together with the financial contents of the report of the Board of Directors of the Parent Company are in accordance therewith. We have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements incorporate all information that is required by the Commercial Companies' Law no. 25 of year 2012 (Note no. 3/1) and the Parent Company's articles of association. According to the information available to us, there were no violations of the Commercial Companies' Law no. 25 of year 2012 or the Parent Company's articles of association during the year ended December 31, 2012 have occurred that might have had a material effect on the Parent Company's business or its financial position.

Ali A. Al-Hasawi

License No. 30 (A)
Rödl Middle East
Burgan - International Accountants

Adel Al- Sanea

Auditors Registry No. 86 Category (A)
Kuwaiti Accountant Auditing
A member of H.L.B International

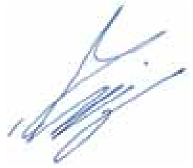
March 13, 2013
State of Kuwait

Consolidated Statement of Financial Position

as of December 31, 2012
"All amounts are in Kuwaiti Dinars"

	Note	2012	2011
Assets			
Cash and cash equivalents		**271,493**	50,447
Investments at fair value - statement of income	5	**6,733,079**	5,135,605
Finance and Musharka	6	**444,401**	3,803,600
Accounts receivable and other debit balances	7	**2,252,050**	661,412
Available for sale investments		**-**	1,203,790
Investment in associates	8	**22,593,497**	22,755,850
Intangible assets	9	**2,654,644**	-
Property and equipment	10	**982,354**	-
Total assets		**35,931,518**	33,610,704
Liabilities and equity			
Liabilities			
Islamic debt instruments		**-**	4,649,723
Accounts payable and other credit balances	11	**2,171,302**	1,017,824
Provision for end of service indemnity		**105,182**	4,274
Total liabilities		**2,276,484**	5,671,821
Equity			
Share capital	12	**24,000,000**	24,000,000
Share premium	13	**5,904,559**	5,904,559
Statutory reserve	14	**596,930**	340,153
Voluntary reserve	15	**17,978**	17,978
Cumulative changes in fair value		**-**	(2,627,124)
Treasury shares	16	**-**	(1,680,000)
Group's share of associates' reserves		**21,927**	306,164
Gains on sale of treasury shares		**730,372**	395,579
Retained earrings		**2,357,682**	1,281,574
Equity attributable to shareholders of the Parent Company		**33,629,448**	27,938,883
Non controlling interests		**25,586**	-
Total equity		**33,655,034**	27,938,883
Total liabilities and equity		**35,931,518**	33,610,704

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



Meshari Ahmed Al-Majed
Chairman

Consolidated Statement of Income

as of December 31, 2012
"All amounts are in Kuwaiti Dinars"

	Note	2012	2011
Revenue			
Gain on investments	17	**574,349**	3,551,032
Group's share of associates' results		**1,092,259**	(205,122)
Net contracting income		**822,562**	-
Finance and Musharka income	6	**241,815**	578,000
Consulting income		**-**	467,311
Other income		**117**	211,482
General and administrative expenses	18	**(156,901)**	(127,959)
Finance charges		**-**	(265,417)
Net profit for the year before calculate Contribution to Kuwait Foundation for the Advancement of Science, Zakat and National Labor Support Tax		**2,574,201**	4,209,327
Contribution to Kuwait Foundation for the Advancement of Science		**(3,982)**	(14,433)
Zakat		**(6,557)**	(42,068)
National Labor Support Tax		**(64,353)**	(105,233)
Net profit for the year		**2,499,309**	4,047,593
Attributable to:			
Shareholders of the Parent Company		**2,492,885**	4,047,593
Non-controlling interests		**6,424**	-
Net profit for the year		**2,499,309**	4,047,593
Earnings per share / (fils)	19	**10.74**	17.45

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

Consolidated Statement of Comprehensive Income

as of December 31, 2012
"All amounts are in Kuwaiti Dinars"

	2012	2011
Net profit for the year	**2,499,309**	4,047,593
Other comprehensive income		
Transferred to the statement of income as result of sale available for sale investments	**-**	3,064,973
Cumulative changes in fair value	**2,627,124**	(583,805)
Gains on sale of treasury shares	**334,793**	(4,448)
Group's share of associates' reserves	**(284,237)**	(157,196)
Total other comprehensive income for the year	**2,677,680**	2,319,524
Total comprehensive income for the year	**5,176,989**	6,367,117
Attributable to:		
Shareholders of the Parent Company	**5,170,565**	6,367,117
Non-controlling interests	**6,424**	-
Total comprehensive income for the year	**5,176,989**	6,367,117

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

Consolidated Statement of Cash Flows

as of December 31, 2012
"All amounts are in Kuwaiti Dinars"

	2012	2011
Cash flows from operating activities		
Net profit for the year	**2,499,309**	4,047,593
Adjustments		
Provision for end of service indemnity	**14,447**	1,249
Gain on investments	**(574,349)**	(3,551,032)
Finance charges	**-**	265,417
Finance and Musharka income	**(241,815)**	(578,000)
Group's share of associates' results	**(1,092,259)**	205,122
Adjusted profit before calculate the effect of change in working capital items	**605,333**	390,349
Investments at fair value – statement of income	**(886,290)**	4,400
Accounts receivable and other debit balances	**(5,755,627)**	(2,590,879)
Accounts payable and other credit balances	**24,698**	650,074
Cash used in operations	**(6,011,886)**	(1,546,056)
End of service indemnity paid	**-**	(3,792)
Net cash used in operating activities	**(6,011,886)**	(1,549,848)
Cash flows from investing activities		
Available for sale investments	**3,817,189**	8,753,338
Property and equipment	**3,313**	-
Cash dividends received	**900**	-
Investment in associates	**9,446,756**	(220,497)
Cash paid for acquisition in subsidiary	**(3,367,101)**	-
Net cash generated from investing activities	**9,901,057**	8,532,841
Cash flows from financing activities		
Islamic debt instruments	**(4,649,723)**	(6,974,584)
Proceeds from sale of purchasing treasury shares	**2,014,793**	-
Cash dividends paid	**(1,033,195)**	-
Net cash used in financing activities	**(3,668,125)**	(6,974,584)
Net increase in cash and cash equivalents	**221,046**	8,409
Cash and cash equivalents at beginning of the year	**50,447**	42,038
Cash and cash equivalents at end of the year	**271,493**	50,447

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

Consolidated Statement of Change in Equity

as of December 31, 2012
"All amounts are in Kuwaiti Dinars"

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Treasury shares	Group's share of associates' reserves	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, 2011	24,000,000	5,904,559	179,785	17,978	(5,108,292)	(1,680,000)	463,360	400,027	(2,605,651)	21,571,766	-	21,571,766
Net profit for the year	-	-	-	-	-	-	-	-	4,047,593	4,047,593	-	4,047,593
Other comprehensive income / (loss) for the year	-	-	-	-	2,481,168	-	(157,196)	(4,448)	-	2,319,524	-	2,319,524
Total comprehensive income / (loss) for the year	-	-	-	-	2,481,168	-	(157,196)	(4,448)	4,047,593	6,367,117	-	6,367,117
Transferred to statutory reserve	-	-	160,368	-	-	-	-	-	(160,368)	-	-	-
Balance at December 31, 2011	24,000,000	5,904,559	340,153	17,978	(2,627,124)	(1,680,000)	306,164	395,579	1,281,574	27,938,883	-	27,938,883
Balance at January 1, 2012	24,000,000	5,904,559	340,153	17,978	(2,627,124)	(1,680,000)	306,164	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	-	-	-	-	2,627,124	-	(284,237)	334,793	-	2,677,680	-	2,677,680
Total comprehensive income / (loss) for the year	-	-	-	-	2,627,124	-	(284,237)	334,793	2,492,885	5,170,565	6,424	5,176,989
Transferred to statutory reserve	-	-	256,777	-	-	-	-	-	(256,777)	-	-	-
Cash dividends (Note - 22)	-	-	-	-	-	-	-	-	(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 (Note- 20)	-	-	-	-	-	-	-	-	-	-	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**

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

Notes to the Consolidated Financial Statement

for the year ended December 31, 2012
"All amounts are in Kuwaiti Dinars unless otherwise stated"

1. Incorporation and activity

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

The Parent Company's main activities are as follows:

- Owning shares in Kuwaiti 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, 2012 for issue on March 13, 2013.

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

2.1 Amendments to IFRSs that are mandatorily effective for the year ended December 31, 2012:

The following amendments to (IFRS) issued by International Accounting Standards Board (IASB), are effective for the Group's consolidated financial statements for the annual period beginning on or after July 1, 2011.

- ***Amendments to IFRS 1: Severe Hyperinflation***

(Effective for annual periods beginning on or after July 1, 2011)

The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS consolidated financial statements for the first time.

- ***Amendments to IFRS 1: Removal of fixed dates for first-time adopters***

(Effective for annual periods beginning on or after July 1, 2011)

The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs.

- ***Amendments to IFRS 7: Disclosures***

(Effective for annual periods beginning on or after July 1, 2011)

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.

The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the year.

2.2 New and revised IFRSs that are available for early application:

The following new and revised IFRSs are not mandatorily effective for the year ended 31 December 2012. However, they are available for early application. (Paragraph 30 of IAS 8 requires entities to consider and disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective).

- **New amendments related to financial instruments**

- ***IFRS 9 Financial Instruments (as revised in 2010)***

(Effective for annual periods beginning on or after January 1, 2015 with retrospective application, along with specific transitional provisions).

- ***Amendments to IFRS 9 and IFRS 7***

(Effective for annual periods beginning on or after January 1, 2015 with retrospective application, and some transitional provisions).

In 2010, a revised version of IFRS 9 was issued, but the IASB issued amendments to IFRS 9 and IFRS 7. The amendments defer the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015 with early application permitted. The amendments also modify the transitional requirements from IAS 39 to IFRS 9.

- **New and revised IFRSs on consolidation, joint arrangements, associates and disclosures**

- *IFRS 10: Consolidated Financial Statements*

(Effective for annual periods beginning on or after January 1, 2013)

The application: Retrospective application, with specific transitional provisions. Earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) are early applied at the same time.

- *IFRS 11: Joint Arrangements*

(Effective for annual periods beginning on or after January 1, 2013)

The application: Retrospective application, with specific transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) are early applied at the same time.

- *IFRS 12: Disclosure of Interests in Other Entities*

(Effective for annual periods beginning on or after January 1, 2013)

The application: Retrospective application, with specific transitional provisions. Entities are encouraged to provide information required by IFRS 12 earlier than annual periods beginning on or after 1 January 2013.

- *Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance*

(Effective for annual periods beginning on or after January 1, 2013)

The application: The amendments clarify certain transition guidance on the application of IFRS 10, IFRS 11 and IFRS 12 for the first time.

- *IAS 27: Separate Financial Statements (as revised in 2011)*

(Effective for annual periods beginning on or after January 1, 2013)

The application: Retrospective application. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) are early applied at the same time.

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

(Effective for annual periods beginning on or after January 1, 2013)

The application: Retrospective application. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (as revised in 2011) are early applied at the same time.

- **New IFRS on fair value measurement**

- ***IFRS 13: Fair Value Measurement***

(Effective for annual periods beginning on or after January 1, 2013)

The application: Retrospective application. The disclosure requirements of IFRS 13 need not be applied in comparative information provided for periods before initial application of IFRS 13.

- **Revised IFRS on employee benefits**

- ***IAS 19: Employee Benefits (as revised in 2011)***

(Effective for annual periods beginning on or after January 1, 2013 with retrospective application, along with specific transitional provisions).

- **Amendments to other IFRSs**

- *Amendments to IFRS 1: Government Loans*

(Effective for annual periods beginning on or after January 1, 2013 with Retrospective application).

- **Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities**

(Effective for annual periods beginning on or after January 1, 2013 with retrospective application).

- **Amendments to IAS 1: Presentation of Items of Other Comprehensive Income**

(Effective for annual periods beginning on or after July 1, 2012 with retrospective application).

- **Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities**

(Effective for annual periods beginning on or after January 1, 2014 with retrospective application).

The management anticipates that the new standards and interpretations 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 and interpretations 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 Commercial Companies Law requirements.
- The Commercial Companies Law no. 25 of year 2012 has been issued on November 26, 2012 and published in the newspaper on November 29, 2012, which lead to cancellation of commercial companies' law of year 1960 and all texts inconsistent with the provisions of this law. The new law is effective from the date published in the newspaper and the companies have to comply with the law within six months from the effective date. The Company has started the necessary procedures to comply with the provisions of the law.
- 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.

Notes to the Consolidated Financial Statement

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, 2012 (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 then 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 impartment 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 statement of the Parent Company and the following subsidiaries:

	Shareholding percentage	Country of incorporation	Activity
Syria for general trading and contracting company (W.L.L)	99%	Kuwait	General trading and contracting
Asal Holding Company -K.S.C.(Holding)	99.2%	Kuwait	Investment

During the year, the Group has acquired ownership percentage 99.20% of Asal Holding Company - K.S.C (Holding) through its subsidiary, as the group became exercises control over the financial and operating policies of the company, accordingly it has classified as subsidiary and its financial statements has been consolidated from the date of acquisition.

5. Investments at fair value - statement of income

	2012	2011
Investments in local shares - quoted	**6,644,079**	5,046,605
Investments in local shares - unquoted	**89,000**	89,000
	6,733,079	5,135,605

- The investments have been evaluated in accordance with valuation technique methods in note (3/6).
- Investments in unquoted shares are valuated 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. Finance and Musharka

- The item represents Finance and Musharka contract with a related party.
- The average effective return on Islamic debt instruments was 8.5% as of December 31, 2012

7. Accounts receivable and other debit balances

	2012	2011
Due from related parties (Note - 21)	**379,997**	200,571
Advance payments for purchasing investments	**444,841**	444,841
Trade receivables	**421,460**	-
Refundable depoists	**5,000**	-
Banks guranttees	**913,575**	-
Prepaid expenses	**10,710**	6,000
Staff receivables	**64,644**	10,000
Other	**11,823**	-
	2,252,050	661,412

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.

8. Investment in associates

The statement of these investments is as follow:

Company name	Shareholding percentage % 2012	Shareholding percentage % 2011	2012	2011
Sarh Capital Real Estate Company K.S.C (Closed)	**39.05%**	-	**14,130,840**	-
India Holding Company K.S.C (Holding)	**33.98%**	-	**8,462,657**	-
Al-Madina Finance and Investment Company K.S.C (Holding)	**-**	21%	**-**	22,755,850
			22,593,497	22,755,850

- During the year, the Group acquired shareholding percentage 39.05% of Sarh Capital Real Estate Company K.S.C. (Closed) with an amount of KD KD 12,548,250 and the investment has been recognized at cost and Currently ,the Group is taking the necessary procedures to determine the fair of acquired assets and liabilities.
- During the year, the Group acquired shareholding percentage in share capital of India Holding Company K.S.C (Holding) to become 33.98% with an amount of KD 8,462,657 , the investment has been recognized at cost and Currently ,the Group is taking the necessary procedures to determine the fair of acquired assets and liabilities.
- During the year, the Group shareholding percentage decreased in Al-Madina Finance and Investment Company K.S.C (Closed) ,as there no significant effect on the operating and financial policies of this company and the company has reclassified it to investment at fair value through profit and loss.
- The group's share of associates' results has been recognized based on the consolidated financial statements as of December 31, 2012.

9. Intangible assets

This item represents the value of goodwill amounting to KD 2,654,644 resulted from acquisition Asal Holding Company K.S.C.(Holding), that was calculated initially until allocating the purchase cost over the fair value of assets and liabilities , the company's management believes that the no impairment in value of the goodwill during the year.

10. Property and equipment

	Furniture and Air condition	Machinery and Equipment	Decorationsand fixtures	Vehicles	Computers	Total
Resulted from acquisition of subsidiary						
Balance at December 31, 2012	29,834	757,530	5,500	743,323	3,127	1,539,314
Accumulated depreciation						
Resulted from acquisition of subsidiary	17,247	233,035	5,500	299,692	1,486	556,960
Net book value						
At December 31, 2012	12,587	524,495	-	443,631	1,641	982,354

11. Accounts payable and other credit balances

	2012	2011
Due to related parties (Note -21)	**1,325,370**	787,677
Payables for purchasing property and equipment	**199,948**	-
Accrued expanses	**141,057**	-
Trade payables	**11,452**	-
Payables for purchasing financial investments	**17,369**	17,369
Staff-leave provision	**49,844**	16,449
Tax deduction	**275,707**	172,235
Dividends payables	**126,805**	-
Other	**23,750**	24,094
	2,171,302	1,017,824

12. Share capital

The Parent Company's authorized and paid-up share capital is KD 24,000,000 (Twenty Four Million Kuwaiti Dinar) divided into 240,000,000 shares (Two Hundred Forty Million shares) and all are in cash.

13. Share premium

The share premium is not available for distribution to shareholders, but can be used in the reduction of share capital.

14. Statutory reserve

In accordance with the Commercial Companies Law and the Parent Company's Articles 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 excesses 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 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. Treasury shares

	2012	2011
Number of shares (Share)	-	8,000,000
Shareholding percentage (%)	-	3.33
Market value (KD)	-	816,000

17. Gain on investments

	2012	2011
Gain on sale of investments	**583,640**	2,044,075
Change in value of investments at fair value - statement of income	**(10,191)**	1,506,957
Cash dividends	**900**	-
	574,349	3,551,032

18. General and administrative expenses

	2012	2011
Staff costs	**36,997**	56,485
Subscriptions and fees	**20,500**	20,091
Professional fees	**8,044**	27,248
Promotions and advertising	**8,344**	405
Traveling and transportations	**10,127**	-
Other	**72,889**	23,730
	156,901	127,959

19. 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:

	2012	2011
Net profit for the year	**2,492,885**	4,047,593
Weighted average of outstanding shares during the year / (share)	**240,000,000**	240,000,000
Weighted average of treasury shares / (share)	**(7,770,082)**	(8,000,000)
Weighted average of outstanding shares less the treasury shares / (share)	**232,229,918**	232,000,000
Earnings per share / (fils)	**10.74**	17.45

20. Acquisition of subsidiary

During the year, the Group has acquired Asal Holding Company - K.S.C. (Holding) with percentage of 99.20%, accordingly the Group became exercising control over the financial and operating policies of this company and it was classified as subsidiary and its financial statements have been consolidated in the consolidated financial statements from the date of acquisition. The statement of net assets as of date of acquisition:

	Asal Holding Company
Cash and cash equivalents	**114,819**
Current assets	**2,383,243**
Non current assets	**985,667**
Current liabilities	**(1,001,975)**
Non-current liabilities	**(86,461)**
Net assets value	**2,395,293**
Group's share in net assets acquired (99.20%)	**2,376,131**
Add goodwill resulted from the acquisition	**2,654,644**
Total acquisition cost	**5,030,775**
Less current debit account in the subsidiary	**(1,548,855)**
Total cash paid in acquisition of the subsidiary	**3,481,920**
Less cash and cash equivalents at the acquisition date	**(114,819)**
Net cash used in acquisition the subsidiary	**3,367,101**

21. 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 expect Finance and Musharka (Note - 6).

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

Consolidated statement of financial position:	2012	2011
Finance and Musharka (Note - 6)	**444,401**	3,803,600
Due from related parties (Note - 7)	**379,997**	200,571
Islamic debt instruments	**-**	4,649,723
Due to related parties (Note – 11)	**1,325,370**	787,677

Consolidated statement of income:	2012	2011
Gain on investments	**-**	2,044,075
Finance and Musharka income	**241,815**	578,000
Finance charges	**-**	265,417

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

22. Shareholders' General Assembly and Proposed Dividends

The Shareholders' General Assembly approved on May 20, 2012 the consolidated financial statements for the year ended December 31, 2011 and approved Board of Directors' proposal to distribute cash dividends to the shareholders by 5% from the nominal value per share (5 Fils per share) that to the shareholders registered in the Parent Company accounts as of the date of General Assembly.

On March 13, 2013, the Board of Directors proposed distribute 7% by stock dividends of each 100 shares by 7 shares for the financial year ended December 31, 2012. This proposal is subject to the approval of the General Assembly of the shareholders.

23. Segmental information

The group has adopted IFRS 8 "Operating Segments" with effect from January1, 2011 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 recourses 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	2012	2011
Cash and cash equivalents	**271,493**	50,447
Investments at fair value - statement of income	**6,733,079**	5,135,605
Finance and Musharka	**444,401**	3,803,600
Accounts receivable and other debit balances	**2,252,050**	661,412
Available for sale investments	**-**	1,203,790
	9,701,023	10,854,854

Financial liabilities	2012	2011
Islamic debt instruments	**-**	4,649,723
Accounts payable and other credit balances	**2,171,302**	1,017,824
	2,171,302	5,667,547

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, 2011. 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, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Investments at fair value - statement of income				
Quoted securities	6,644,079	-	-	6,644,079
Unquoted securities	-	-	89,000	89,000
	6,644,079	-	89,000	6,733,079
Liabilities:	-	-	-	-
Net fair value	6,644,079	-	89,000	6,733,079

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

December 31, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Investments at fair value - statement of income				
Quoted securities	5,046,605	-	-	5,046,605
Unquoted securities	-	-	89,000	89,000
Available for sale investments:				
Quoted securities	1,190,065	-	-	1,190,065
Unquoted securities	-	-	13,725	13,725
	6,236,670	-	102,725	6,339,395
Liabilities:	-	-	-	-
Net fair value	6,236,670	-	102,725	6,339,395

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, 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
	2,171,302	105,182	2,276,484

The maturity analysis of financial liabilities as of December 31, 2011 is as follows:

	During one year	More than one year	Total
Islamic debt instruments	4,649,723	-	4,649,723
Accounts payable and other credit balances	1,017,824	-	1,017,824
Provision for end of service indemnity	-	4,274	4,274
	5,667,547	4,274	5,671,821

Notes to the Consolidated Financial Statement

- **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, 2012 as a result of expected changes in Kuwait Stock Exchange Market by (±5%) and with all other variables held constant as follows:

	Effect on profit		**Effect on equity**	
	2012	2011	**2012**	2011
Kuwait Stock Exchange Market	**332,204**	252,330	**-**	59,503

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, group's share of associates' reserves, gains on sale of treasury shares, retained earnings and non-controlling interests.

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

26. Comparative figures

Certain comparative figures for the previous year have been reclassified to conform with the current year presentation.