شركة التخصيص القابضة

PRIVATIZATION
HOLDING COMPANY

ANNUAL REPORT 2013

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HH Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of State of Kuwait

HH Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

Board of Directors

شركة التخصيص القابضة
PRIVATIZATION
HOLDING COMPANY

Privatization Holding Company K.S.C.P.
and its Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2013

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PRIVATIZATION HOLDING COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Privatization Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

PRIVATIZATION HOLDING COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

ABDULLATIF M. AL-AIBAN (CPA)
(LICENCE NO. 94-A)
OF GRANT THORNTON –
AL-QATAMI, AL-AIBAN & PARTNERS

30 March 2014
Kuwait

Privatization Holding Company K.S.C.P. and its Subsidiaries
CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2013

	Notes	2013 KD	2012 KD
INCOME			
Realised gain on sale of financial assets at fair value through income statement		**3,784**	84,506
Unrealised (loss) gain on financial assets at fair value through income statement		**(678,148)**	97,921
Gain on sale of financial assets available-for-sale		**747,268**	683,411
Gain (loss) on fair value adjustment of investment properties		**43,572**	(463,872)
Dividend income		**1,652,832**	2,115,781
Interest income	4	**423,272**	397,843
Murabaha income	25	**748,906**	293,786
Share of results of associates	10	**2,427,896**	1,139,437
Gain on sale of investment in associates		**-**	3,362,504
Gain on sale of a subsidiary		**137,135**	37,802
Gain on sale of investment properties		**31,188**	-
Revenue from services		**5,023,669**	5,336,550
Other income		**376,281**	1,123,098
		10,937,655	14,208,767
EXPENSES			
Cost of services rendered		**(3,549,539)**	(3,415,011)
Administrative expenses	5	**(2,252,876)**	(2,083,885)
Portfolio management fees		**(125,420)**	(102,738)
Finance costs		**(3,092,485)**	(2,515,583)
Impairment loss on financial assets available-for-sale	13 (c)	**(2,938,843)**	(1,163,560)
Amortisation of intangibles	9	**(139,832)**	(279,663)
Foreign exchange loss		**(41,446)**	(264,631)
		(12,140,441)	(9,825,071)
(LOSS) PROFIT FOR THE YEAR BEFORE TAXATION		**(1,202,786)**	4,383,696
Taxation	6	**-**	(143,454)
(LOSS) PROFIT FOR THE YEAR		**(1,202,786)**	4,240,242
Attributable to:			
Equity holders of the Parent Company		**(1,293,818)**	4,132,550
Non-controlling interests		**91,032**	107,692
		(1,202,786)	4,240,242
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	7	**(1.8) fils**	5.7 fils

شركة التخصيص القابضة
PRIVATIZATION
HOLDING COMPANY

Privatization Holding Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Notes	2013 KD	2012 KD
(Loss) profit for the year		**(1,202,786)**	4,240,242
Other comprehensive income			
Other comprehensive income to be reclassified to consolidated income statement in subsequent periods:			
Change in fair values of financial assets available-for-sale		**(2,803,945)**	4,260,673
Realised gain on sale of financial assets available-for-sale transferred to consolidated income statement on sale		**(747,268)**	(683,411)
Impairment loss on financial assets available-for-sale transferred to the consolidated income statement	(c) 13	**2,938,843**	1,163,560
Share of cumulative changes in fair values of associate	10	**111,638**	28,501
Share of foreign currency translation reserve of associates	10	**(38,320)**	86,699
Other comprehensive (loss) income for the year		**(539,052)**	4,856,022
Total comprehensive (loss) income for the year		**(1,741,838)**	9,096,264
Attributable to:			
Equity holders of the Parent Company		**(1,840,868)**	8,949,750
Non-controlling interests		**99,030**	146,514
		(1,741,838)	9,096,264

Privatization Holding Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	**2013 KD**	2012 KD
ASSETS			
Non-current assets			
Property, plant and equipment	8	**11,122,663**	10,105,550
Intangible assets	9	**2,150,171**	2,290,003
Investment in associates	10	**43,811,809**	12,772,146
Held-to-maturity investment	11	**2,700,000**	2,700,000
Murabaha receivable	12	**15,068,831**	15,097,602
Financial assets available-for-sale	13	**59,001,954**	74,367,146
Investment properties	14	**3,842,658**	3,917,242
		137,698,086	121,249,689
Current assets			
Due from sale of investment in subsidiaries		**-**	200,000
Accounts receivable and prepayments	15	**11,304,472**	23,732,283
Financial assets at fair value through income statement	16	**14,839,294**	14,971,616
Bank balances and cash	17	**14,930,092**	11,672,815
		41,073,858	50,576,714
TOTAL ASSETS		**178,771,944**	171,826,403
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**73,828,000**	73,828,000
Share premium		**24,761,544**	24,761,544
Statutory reserve	19	**1,061,335**	1,061,335
General reserve	19	**1,061,335**	1,061,335
Treasury shares	20	**-**	(730,871)
Treasury shares reserve	20	**1,801,684**	1,591,786
Cumulative changes in fair value		**1,010,346**	1,519,077
Foreign currency translation reserve		**(34,962)**	3,357
Accumulated losses) retained earnings)		**(869,953)**	4,852,363
Other reserves		**(20,790)**	-
Equity attributable to equity holders of the Parent Company		**102,598,539**	107,947,926
Non-controlling interests		**805,184**	697,812
Total equity		103,403,723	108,645,738
Non-current liabilities			
Term loan	22	15,532,125	15,000,000
Employees› end of service benefits		523,001	443,232
		16,055,126	15,443,232
Current liabilities			
Accounts payable and accruals	21	2,078,725	2,154,112
Bank overdraft	17	5,308,782	5,317,590
Term loans	22	51,925,588	40,265,731
		59,313,095	47,737,433
Total liabilities		75,368,221	63,180,665
TOTAL EQUITY AND LIABILITIES		178,771,944	171,826,403

Riyadh S. A. Edrees Mohammad A. Al-Asfor
Chairman Vice Chairman

Privatization Holding Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Attributable to equity holders of the Parent Company												
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Other reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2013	73,828,000	24,761,544	1,061,335	1,061,335	-	(730,871)	1,591,786	1,519,077	3,357	4,852,363	107,947,926	697,812	108,645,738
Loss for the year	-	-	-	-	-	-	-	-	-	(1,293,818)	(1,293,818)	91,032	(1,202,786)
Other comprehensive (loss) income	-	-	-	-	-	-	-	(508,731)	(38,319)	-	(547,050)	7,998	(539,052)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(508,731)	(38,319)	(1,293,818)	(1,840,868)	99,030	(1,741,838)
Sale of treasury shares	-	-	-	-	-	730,871	209,898	-	-	-	940,769	-	940,769
Non-controlling interest arising on part disposal of indirectly held subsidiary (Note 2.2)	-	-	-	-	-	-	-	-	-	-	-	143,748	143,748
Disposal of indirectly held subsidiary	-	-	-	-	(20,790)	-	-	-	-	-	(20,790)	20,790	-
Dividend (Note 29)	-	-	-	-	-	-	-	-	-	(4,428,498)	(4,428,498)	(156,196)	(4,584,694)
At 31 December 2013	73,828,000	24,761,544	1,061,335	1,061,335	(20,790)	-	1,801,684	1,010,346	(34,962)	(869,953)	102,598,539	805,184	103,403,723
As at 1 January 2012	73,828,000	24,761,544	633,735	633,735	-	(456,873)	1,316,339	(3,211,426)	(83,340)	5,266,413	102,688,127	902,793	103,590,920
Profit for the year	-	-	-	-	-	-	-	-	-	4,132,550	4,132,550	107,692	4,240,242
Other comprehensive income	-	-	-	-	-	-	-	4,730,503	86,697	-	4,817,200	38,822	4,856,022
Total comprehensive income for the year	-	-	-	-	-	-	-	4,730,503	86,697	4,132,550	8,949,750	146,514	9,096,264
Transfer to reserves	-	-	427,600	427,600	-	-	-	-	-	(855,200)	-	-	-
Purchase of treasury shares	-	-	-	-	-	(1,359,895)	-	-	-	-	(1,359,895)	-	(1,359,895)
Sale of treasury shares	-	-	-	-	-	1,085,897	275,447	-	-	-	1,361,344	-	1,361,344
Non-controlling interest arising on acquisition of indirectly held subsidiary	-	-	-	-	-	-	-	-	-	-	-	200,000	200,000
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(320,520)	(320,520)
Dividend (Note 29)	-	-	-	-	-	-	-	-	-	(3,691,400)	(3,691,400)	(230,975)	(3,922,375)
At 31 December 2012	73,828,000	24,761,544	1,061,335	1,061,335	-	(730,871)	1,591,786	1,519,077	3,357	4,852,363	107,947,926	697,812	108,645,738

Privatization Holding Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2013

	Notes	2013 KD	2012 KD
OPERATING ACTIVITIES			
(Loss) profit for the year		**(1,202,786)**	4,240,242
Adjustments for:			
Depreciation	8	**707,915**	844,239
Amortisation of intangibles	9	**139,832**	279,663
Provision for employees' end of service benefits		**106,770**	145,968
Impairment loss on financial assets available-for-sale	13 (c)	**2,938,843**	1,163,560
Gain on sale of financial assets available-for-sale		**(747,268)**	(683,411)
Gain on sale of investment property		**(31,188)**	-
(Gain) loss on fair value adjustment of investment properties	14	**(43,572)**	463,872
Realised gain on sale of financial assets at fair value through income statement		**(3,784)**	(84,506)
Unrealised loss (gain) on financial assets at fair value through income statement		**678,148**	(97,921)
Dividend income		**(1,652,832)**	(2,115,781)
Interest income	4	**(423,272)**	(397,843)
Murabaha income		**(748,906)**	(293,786)
Finance costs		**3,092,485**	2,515,583
Foreign exchange loss		**41,446**	264,631
Gain on sale of investment in associates		**-**	(3,362,504)
Share of results of associates	10	**(2,427,896)**	(1,139,437)
Gain on sale of a subsidiary		**(137,135)**	(37,802)
(Gain) loss on sale of property, plant and equipment		**(85,814)**	3,163
		200,986	1,707,930
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		**(1,009,373)**	(7,962,881)
Due from sale of investment in subsidiaries		**200,000**	600,000
Financial assets at fair value through income statement		**(542,042)**	1,392,972
Accounts payable and accruals		**(700,420)**	453,680
Cash flows used in operating activities		**(1,850,849)**	(3,808,299)
Taxation paid		**(143,366)**	(103,547)
Employees› end of service benefits paid		**(27,002)**	(43,516)
Net cash flows used in from operating activities		**(2,021,217)**	(3,955,362)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	**(2,126,562)**	(1,724,802)

Proceeds from sale of property, plant and equipment		**487,348**	227,476
Purchase of investment in associates	10	**(9,295,691)**	-
Dividends received from associates	10	**1,538,889**	1,498,051
Proceeds from sale of investment in associates		**-**	1,800,000
Proceeds from sale of investment property		**149,344**	-
Net movement in murabaha receivable		**28,572**	(14,992,857)
Purchase of financial assets available-for-sale		**(4,331,871)**	(8,139,261)
Proceeds from sale of financial assets available-for-sale		**9,676,585**	8,529,352
Murabaha income received		**749,105**	189,041
Interest income received		**482,912**	272,049
Dividend income received		**1,652,832**	2,115,781
Disposal of indirectly held subsidiary, net of cash disposed		**-**	(16,400)
Net cash flows used in investing activities		**(988,537)**	(10,241,570)
FINANCING ACTIVITIES			
Purchase of treasury shares		**-**	(1,359,895)
Proceeds from sale of treasury shares		**940,769**	1,361,344
Term loans obtained		**14,532,125**	15,113,150
Repayment of term loans		**(2,411,483)**	-
Dividend paid		**(4,433,207)**	(3,749,795)
Finance costs paid		**(2,496,113)**	(2,221,747)
Movement in non-controlling interests		**143,748**	200,000
Net cash flows from financing activities		**6,275,839**	9,343,057
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,266,085**	(4,853,875)
Cash and cash equivalents at 1 January		**6,355,225**	11,209,100
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17	**9,621,310**	6,355,225

1- CORPORATE INFORMATION

The consolidated financial statements of Privatization Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 30 March 2014. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company is a Kuwaiti shareholding company registered on 10 October 1994 and is listed on the Kuwait Stock Exchange. Its registered office is located at Sharq, Ahmad Al-Jaber Street, Dar Al-Awadi Tower, 23 Floor, P.O. Box 4323, Safat 13104, Kuwait

The Parent Company is licensed to:

- invest in Kuwaiti and foreign shareholding companies and limited liability companies and to participate in the establishment and management of such entities,
- lend to such entities and act as their guarantor,
- utilization of excess funds in investment in financial portfolios or real estate portfolios through specialised parties inside or outside Kuwait,
- invest in real estate, hold patents and copy rights, and advance loans to associates,
- represent foreign consulting firms in local market.

The New Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 was published in the official Gazette on 6 October 2013. As per Article three of the Executive Regulations, companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets available-for-sale, investment properties and financial assets at fair value through income statement that have been measured at fair value.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries including special purpose entities. Control is achieved when the Group

is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

2.2 BASIS OF CONSOLIDATION (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of income
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

2.2 BASIS OF CONSOLIDATION (continued)

The subsidiaries of the Group are as follows:

Name of the company	Country of incorporation	Principal activity	Equity interest	
			2013	2012
Global Projects Holding Company K.S.C. (Closed) ("GPHC") [1 and 2]	Kuwait	Investment	**96.0%**	96.0%
Specialized Environmental Services Company W.L.L. ("SES") [1]	Kuwait	Investment	**99.0%**	99.0%
Global Commercial Privatization Company W.L.L. [1]	Kuwait	Import and export	**99.0%**	99.0%
Global Professional General Trading Company W.L.L.	Kuwait	General trading	**62.0%**	62.0%
Combined Trust Real Estate Company W.L.L.	Kuwait	Investment and real estate	**51.0%**	51.0%
Privatisation Agriculture Contracting Company W.L.L. [1]	Kuwait	General trading and contracting	**99.0%**	99.0%
Global Privatisation for Medical Services Company W.L.L. [4]	Kuwait	General trading and contracting	**99.0%**	99.0%
Global Specialised Electrical Company W.L.L. – [4]	Kuwait	Electric power generation	**99.0%**	99.0%
Ersaal Communication Co. W.L.L. [4]	Kuwait	Communication systems	**99.0%**	-
Specialized Education Company W.L.L. [4]	Kuwait	Educational services	**99.0%**	-
Wuduh Financial & Economic Consulting Company W.L.L.	Kuwait	Consultancy services	**99.0%**	-
Dana Creativity Company W.L.L. [4]	Kuwait	Advertising and publishing	**99.0%**	-
Held through GPHC				
Gas and Oils Field Services Company K.S.C. (Closed) ("GOFSCO")	Kuwait	Oil and gas well related installations	**99.7%**	99.7%
Held through GOFSCO				
Abyar Gulf Company for General Trading and Contracting W.L.L. ("Abyar") [3 and 5]	Kuwait	General trading and contracting	**50.0%**	62.0%
Leader Plus General Trading Company W.L.L. [4]	Kuwait	General trading and contracting	**99.0%**	99.0%
Amal Ebstam General Trading & Contracting Company W.L.L. [4]	Kuwait	General trading and contracting	**99.0%**	99.0%
Grand Oil for Oil Activities Company K.S.C. (Closed) [4]	Kuwait	Oil and gas sludge cleaning activities	**99.0%**	99.0%

2.2 BASIS OF CONSOLIDATION (continued)

[1] An insignificant holding of shares are held by nominees who have confirmed in writing that the Parent Company has the beneficial ownership interest in the subsidiary through a letter of assignment.

[2] The Parent Company holds 50% and the subsidiary SES holds 46%.

[3] During the year, GOFSCO sold 12% of its equity interest in Abyar for a total consideration of KD 142,748, resulting in no gain or loss.

[4] These companies have not yet commenced their operations.

[5] In accordance with an agreement, the NCI of indirectly held subsidiary Abyar receives 60% of the profit for the year during the period from 1 January 2010 to 31 December 2012.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 Financial Instruments: Recognition and Measurement either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (group of cash generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investment in its associates is accounted for using the equity method.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.
The Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's income statement. The Group's share of those changes is recognised in other comprehensive income.

The Group's share of results of associates is shown on the face of the consolidated income statement and represents profit or loss after tax and NCI in the subsidiaries of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains on transactions with an associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the

associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

Foreign currencies

The Group's consolidated financial statements are presented in Kuwaiti Dinar (KD), which is also the Parent Company's functional currency. Each entity in the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying amount of foreign associates, are translated into the Group's presentation currency at the rate of exchange ruling at the reporting date, and their statements of income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation adjustments within equity. On disposal of a foreign entity, the cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognised:

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Interest income

Interest income is recognised using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or shorter period, where appropriate, to the net carrying amount of the financial asset.

Rendering of services

Revenue from services is recognised as and when services are provided or rendered.

Taxation

National Labour Support Tax (NLST)

The Parent Company calculates NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year. No NLST has been provided as the Group has incurred a loss for the current year.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS at 1% of taxable profit in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution. No contribution to KFAS has been provided as the Group has incurred a loss for the current year.

Zakat

Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007. The Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of income. No Zakat has been provided as the Group has incurred a loss for the current year.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Leasehold land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Office building	20 to 30 years
• Machinery and equipment	10 to 20 years
• Rental equipment	3 to 10 years
• Furniture and equipment	4 to 7 years

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investment properties
Investment properties comprise completed properties held for capital appreciation. Investment properties are measured initially at cost being the fair value of the consideration given, including transaction costs. Subsequent to initial recognition, investment properties are re-measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in consolidated income statement in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer.

Investment properties are derecognised either when they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

A summary of the policies applied to the Group's intangible assets is as follows:

	Goodwill	Other intangible assets
Useful lives	Indefinite	Finite
Amortisation method used	No amortisation	Amortised on a straight-line basis over a period of 1 to 4 years

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in the consolidated income statement.

For assets excluding goodwill, an assessment is made at each reporting date whether there is an indication that previously recognised impairment losses may no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill
Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or
equity instrument of another entity.

(i) Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through income statement, loans and receivables, held-to-maturity investments and financial assets available-for-sale, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through income statement.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and cash, accounts receivable, financial assets at fair value through income statement, financial assets available-for-sale and held-to-maturity investment.

Subsequent measurement
For purposes of subsequent measurement financial assets are classified in four categories:
- Financial assets at fair value through income statement
- Loans and receivables
- Held-to-maturity investments
- Financial assets available-for-sale

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through income statement
Financial assets at fair value through income statement include financial assets held for trading and financial assets designated upon initial recognition at fair value through income statement. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets designated at fair value through income statement are designated if they are managed, and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

Financial assets at fair value through income statement are carried in the consolidated

statement of financial position at fair value with changes in fair value recognised in consolidated income statement.

The Group evaluates its financial assets held for trading, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through income statement using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group does not have any loans receivable. Receivables include accounts receivable and murabaha receivables.

Accounts receivable are stated at original amount less a provision for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)
(i) Financial assets (continued)
Subsequent measurement (continued)
Loans and receivables (continued)

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. When the credit risk of the transaction is attributable to a financial institution, the amount due under murabaha contracts is classified as a murabaha investment. Whereas, when the credit risk of transaction is attributable to counterparties other than banks and financial institutions, the amount due is classified as murabaha receivable. Murabaha receivables which arise from the Group's financing on an Islamic basis are classified as murabaha receivables originated by the Group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a murabaha are treated as part of the cost of the transaction and are charged to the consolidated income statement. All murabaha receivables are recognised when the legal right to control the use of the underlying asset is transferred to the customer.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement.

Financial assets available-for-sale

Financial assets available-for-sale are those non-derivative financial assets that are designated as available for sale that are neither classified as financial assets carried at fair value through income statement, held to maturity investments or loans and receivables.

After initial measurement, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the cumulative changes in fair value until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or the investment is determined to be impaired, when the cumulative loss is reclassified from the cumulative changes in fair value to the consolidated income statement.

Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

Reclassification from financial assets available-for-sale to investment in associates is made upon acquisition of significant influence over the investment. Such transfer is made at original cost and any gain or loss previously classified in cumulative changes in fair value reserve is reversed to bring the carrying value to its original cost.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all of the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

شركة التخصيص القابضة
PRIVATIZATION
HOLDING COMPANY

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)
(i) Financial assets (continued)
Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available-for-sale

For financial assets available-for-sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

The objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified, at initial recognition, as financial liabilities at fair value through income statement or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include term loans, accounts payable and bank overdrafts.

At 31 December 2013, the Group did not have any financial liabilities at fair value through income statement.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

Accounts payable
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)
(ii) Financial liabilities (continued)
Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

(iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(iv) Fair value of financial instruments
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the reporting date. The fair value of mutual fund investments, unit trusts, or similar investment vehicles is based on the last reported net asset values from the fund managers.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by using valuation techniques such as recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, an earnings multiple, or is based on the expected cash flows of the investment discounted at current rates

applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

The fair value of interest bearing financial instruments is estimated based on discounted cash flows using interest rates for items with similar terms and risks characteristics.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)
(ii) Financial liabilities (continued)

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the equity. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares. Part of the reserves created or appropriated and retained earnings equivalent to the cost of treasury shares is not available for distribution throughout the holding period.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

For its national employees, the Group provides end of service benefits under the Kuwait Labour Law after deducting Group's contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new or amended IFRS relevant to the Group:

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

The amendments to IAS 1 introduce a 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 (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 28 Investments in Associates and Joint Ventures

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

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

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

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by the Group, compared with the requirements that were in IAS 27. The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the entity. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Once control is established, the standard requires the Group to start consolidating the investee from the date the investor obtains control of the investee and cease consolidation when the investor loses control of the investee. This did not have any material impact on the consolidated financial statements of the Group.

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 disclose 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 the consolidated entities. This did not have any material impact on the consolidated financial statements of the Group.

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. The adoption of this standard does not have any material impact on the financial position or performance of the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The Group has provided these disclosures in Note 28.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The standard was initially effective for annual periods beginning on or after 1 January 2015, but International Accounting Standards Board ("IASB") in its July 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue

date of the completed version of IFRS 9 is known. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but is not expected to have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would have any impact on the Group.

شركة التخصيص القابضة
PRIVATIZATION
HOLDING COMPANY

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued0

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

The application of these standards will be made in the consolidated financial statements when these standards become effective. The Parent Company's management is yet to assess the impact of the application of these standards on the consolidated financial statements of the Group.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements
Classification of investments
Management decides on acquisition of financial assets whether it should be classified as financial assets at fair value through income statement, financial assets available-for-sale or held-to-maturity investment.

Classification of financial assets at fair value through income statement depends on how management monitors the performance of these investments. The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of consolidated income statement in the management accounts, they are classified as designated upon initial recognition.

The management classifies investments as held-to-maturity if they are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the management has the positive intention and ability to hold to maturity.

All other financial assets are classified as "financial assets available-for-sale".

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple or industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. For the investments where this estimation cannot be reliably determined, they are carried at cost less impairment.

شركة التخصيص القابضة
PRIVATIZATION
HOLDING COMPANY

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of financial assets available-for-sale

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

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of non-financial assets

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

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Group engaged independent valuation specialists to determine fair value as at 31 December 2013.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where management believes the useful lives differs from previous estimates.

4 INTEREST INCOME

	2013 KD	2012 KD
Fixed deposits	**16,696**	44,183
Held-to-maturity investment	**135,000**	136,169
Advances to related parties	**241,951**	135,297
Other cash balances	**29,625**	82,194
	423,272	397,843

5 ADMINISTRATIVE EXPENSES

	2013 KD	2012 KD
Staff costs	**1,296,196**	1,391,581
Others	**956,680**	692,304
	2,252,876	2,083,885

6 TAXATION

	2013 KD	2012 KD
NLST	-	77,676
KFAS	-	36,501
Zakat	-	29,277
	-	143,454

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted (loss) earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year less treasury shares as follows:

	2013	2012
(Loss) profit for the year attributable to the equity holders of the Parent Company (KD)	(1,293,818) 820	4,132,550
Weighted average number of shares outstanding during the year	735,650,772	729,947,752
(Basic and diluted (loss) earnings per share (fils	(1.8)	5.7

The weighted average number of shares outstanding during the year is calculated after adjusting for treasury shares as follows:

	2013	2012
Weighted average number of issued and paid up shares	738,280,000	738,280,000
Less: Weighted average number of treasury shares	(2,629,228)	(8,332,248)
Weighted average number of shares for basic and diluted (loss) earnings per share	735,650,772	729,947,752

8 PROPERTY, PLANT AND EQUIPMENT

	Lease-hold land	Office building	Machinery and equip-ment	Rental equipment	Furniture and equip-ment	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost:							
At 1 January	824,048	241,877	9,336,585	942,057	200,769	459,602	12,004,938
Additions	-	18,216	1,354,879	193,288	48,749	511,430	2,126,562
Disposals	-	(2,500)	(451,272)	(25,983)	(8,294)	-	(488,049)
At 31 December 2013	824,048	257,593	10,240,192	1,109,362	241,224	971,032	13,643,451
Depreciation:							
At 1 January	-	119,264	996,493	651,995	131,636	-	1,899,388
Depreciation charge for the year	-	23,791	455,259	194,061	34,804	-	707,915
Disposals	-	(708)	(71,870)	(10,760)	(3,177)	-	(86,515)
At 31 December 2013	-	142,347	1,379,882	835,296	163,263	-	2,520,788
Net book value: At 31 December 2013	824,048	115,246	8,860,310	274,066	77,961	971,032	11,122,663

	Lease-hold land	Office building	Machinery and equip-ment	Rental equipment	Furniture and equip-ment	Capital work in progress	2012 Total
	KD	KD	KD	KD	KD	KD	KD
Cost:							
At 1 January	-	233,227	8,394,675	908,023	201,547	2,852,432	12,589,904
Derecognition of a Subsidiary	-	-	(1,715,267)	(321,820)	(13,459)	-	(2,050,546)
Transfer	-	8,650	2,221,498	157,562	5,120	(2,392,830)	-
Additions	824,048	-	694,901	198,292	7,561	-	1,724,802
Disposals	-	-	(259,222)	-	-	-	(259,222)
At 31 December	824,048	241,877	9,336,585	942,057	200,769	459,602	12,004,938
Depreciation:							
At 1 January	-	95,787	614,055	429,766	98,196	-	1,237,804
Derecognition of a Subsidiary	-	-	(94,491)	(54,715)	(4,866)	-	(154,072)
Depreciation charge for the year	-	23,477	505,512	276,944	38,306	-	844,239
Disposals	-	-	(28,583)	-	-	-	(28,583)
At 31 December	-	119,264	996,493	651,995	131,636	-	1,899,388
Net book value: At 31 December	824,048	122,613	8,340,092	290,062	69,133	459,602	10,105,550

9 INTANGIBLE ASSETS

	Goodwill	Other intangible assets	2013 Total	2012 Total
	KD	KD	KD	KD
Cost:				
At 1 January	2,150,171	1,167,502	3,317,673	3,564,151
Discontinued operations	-	-	-	(246,478)
At 31 December	2,150,171	1,167,502	3,317,673	3,317,673
Amortisation:				
At 1 January	-	1,027,670	1,027,670	748,007
Charge for the year	-	139,832	139,832	279,663
At 31 December	-	1,167,502	1,167,502	1,027,670
Net book value:				
At 31 December	2,150,171	-	2,150,171	2,290,003

10 INVESTMENT IN ASSOCIATES

The associates of the Group are as follows:

Name of the company	Country of incorporation	Equity interest 2013	2012	Activities
Kuwait Building Materials Manufacturing Company K.S.C. (Closed)	Kuwait	47.4%	47.4%	Building materials
First Equilease for Equipment and Transportation K.S.C. (Closed) ("FTC") (Formerly Kuwait First Transportation Company K.S.C. (Closed))	Kuwait	16.0%	16.0%	Transportation services
Kingdom Electricity Company ("KEC")	Jordan	30.0%	18.0%	Energy and industrial projects
Nawand Communications Holding Company B.S.C. (Closed) ("Nawand")	Kingdom of Bahrain	17.3%	17.3%	Telecom services
SNC-Lavalin Kuwait for General Trading & Contracting Company W.L.L.	Kuwait	30.0%	30.0%	General trading and contracting
Strategia Investment Company K.S.C. (Closed)	Kuwait	43.0%	32.4%	Investments
Eastern United Petroleum Services Company K.S.C. (Closed) ("EUPS")	Kuwait	48.3%	48.3%	Oil & gas activities
National Industries Company – K.S.C.P. and subsidiaries ("NICBM")	Kuwait	14.3%	-	Manufacturing and marketing building materials

The investment in FTC, Nawand and NICBM have been classified as associates because the Parent Company exercises significant influence over the investee companies through representation on their Board of Directors and participation in their decision making process in relation to their financial and operating policies.

10 INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of associates of the Group is as follows:

	Strategia Invest-ment Company K.S.C.P. KD	Kingdom Electricity Company KD	Kuwait Building Materials Manu-facturing Company K.S.C.P. KD	First Trans-portation Company K.S.C. (Closed) KD	Eastern United Petroleum Services Company K.S.C. (Closed) KD	National Industries Company – K.S.C.P. and Subsidiaries KD	Others KD	Total 2013 KD
Share of associ-ates' statement of financial position:								
Assets	15,219,052	59,180,696	2,989,590	2,126,417	2,331,931	15,322,821	190,531	97,361,038
Liabilities	(1,487,709)	(55,116,363)	(390,019)	(103,839)	(1,509,066)	(3,817,101)	(31,596)	(62,455,693)
Equity	13,731,343	4,064,333	2,599,571	2,022,578	822,865	11,505,720	158,935	34,905,345
Share of associ-ates' revenue and profit:								
Revenue	1,944,596	47,209,460	1,895,194	497,994	849,458	6,529,717	27,506	58,953,925
Profit	1,411,875	159,348	311,155	83,059	430,927	36,836	(5,304)	2,427,896

10 INVESTMENT IN ASSOCIATES (continued)

	Strategia Investment Company K.S.C.P. KD	Kingdom Electricity Company KD	Kuwait Building Materials Manufacturing Company K.S.C.P. KD	First Transportation Company K.S.C. (Closed) KD	Eastern United Petroleum Services Company K.S.C. (Closed) KD	National Industries Company – K.S.C.P and Subsidiaries KD	Others KD	Total 2012 KD
Share of associates' statement of financial position:								
Assets	4,390,256	32,316,109	3,071,692	2,037,651	1,417,033	-	192,133	43,424,874
Liabilities	(65,193)	(29,455,528)	(714,875)	(99,280)	(1,024,161)	-	(31,441)	(31,390,478)
Equity	4,325,063	2,860,581	2,356,817	1,938,371	392,872	-	160,692	12,034,396
Share of associates' revenue and profit:								
Revenue	225,109	18,727,179	1,663,076	102,823	-	-	25,532	20,743,719
Profit	3,385	1,016,854	194,939	(30,174)	-	-	(45,567)	1,139,437

10 INVESTMENT IN ASSOCIATES (continued)

The movement in investment in associates is as follows:

	2013 KD	2012 KD
At 1 January	**12,772,146**	14,865,658
Additions	**13,432,826**	-
Transfer from investment in subsidiary	-	587,396
Transfer from financial assets available for sale (Note a)	**16,644,512**	-
Disposals	-	(2,437,494)
Dividends received	**(1,538,889)**	(1,498,051)
Share of results	**2,427,896**	1,139,437
Cumulative changes in fair values	**111,638**	28,501
Foreign currency translation adjustment	**(38,320)**	86,699
At 31 December	**43,811,809**	12,772,146

The carrying amount of the investment in associates includes goodwill of KD 8,906,464 (2012: KD 737,749).

Investment in associates include quoted associates with a carrying value of KD 33,217,336 (2012: KD 7,148,966) having a market value of KD 23,618,864 (2012: KD 5,978,078).

(a) During the current year, the Group obtained board representation in NICBM and is now in a position to exercise "significant influence" over NICBM. Accordingly, this investment has been accounted for as an associate in accordance with International Accounting Standard IAS 28 Investments in Associates. The obtaining of significant influence has been accounted for based on provisional fair values of the net assets acquired as the management is in the process of preparing a detailed study to determine the fair values of assets and liabilities acquired.

11 HELD-TO-MATURITY INVESTMENT

This represents investment in an unquoted bond issued at par, which carries fixed interest at 5% per annum, which is due in instalments every six months starting from 19 June 2012 and matures on 19 December 2016.

12 MURABAHA RECEIVABLE

Based on a Murabaha Agreement dated 9 August 2012, the Parent Company participated in a

murabaha facility through a portfolio manager and a local financial institution to an entity (a related party) (Note 25) secured against shares of a listed entity. The murabaha facility carries profit at the rate of 5% per annum and matures on 9 August 2015.

13 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2013	2012
	KD	KD
Quoted equity securities	**39,276,022**	56,518,816
Unquoted equity securities	**10,105,980**	16,687,289
Mutual funds	**9,619,952**	1,161,041
	59,001,954	74,367,146

(a) Mutual funds are carried at net asset values provided by the fund and portfolio managers.

(b) Unquoted equity securities are carried at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term.

13 FINANCIAL ASSETS AVAILABLE-FOR-SALE (continued)

(c) Management has performed a review of financial assets available-for-sale to assess whether impairment has occurred and recorded impairment loss on quoted equity securities of KD 143,429 (2012: KD 1,130,495), unquoted equity securities of KD 2,790,806 (2012: Nil) and mutual funds of KD 4,608 (2012: KD 33,065), in the consolidated income statement.

(d) Previously, the Group reclassified a trading investment with fair value of KD 3,412,981 from the "financial assets at fair value through income statement" to "financial assets available-for-sale" category. As at 31 December 2013, the carrying value of the reclassified trading investment amounted to KD 275,608 (2012: KD 275,608). The Group has recorded total impairment loss of KD 3,137,373 in the previous financial years.

(e) Some equity securities classified as financial assets available-for-sale are registered in the name of a major shareholder (Note 25).

14 INVESTMENT PROPERTIES

	2013	2012
	KD	KD
As at 1 January	**3,917,242**	3,131,114
Received against due from sale of investment in subsidiaries	**-**	1,250,000
Disposals	**(118,156)**	-
Gain (loss) from fair value adjustment	**43,572**	(463,872)
At 31 December	**3,842,658**	3,917,242

The investment property represents a villa in Spain and buildings in Egypt.

The investment properties are stated at fair value, which has been determined based on valuations performed by accredited independent valuers as at 31 December 2013.

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 KD	2012 KD
(Amounts due from related parties (Note 25	2,958,226	16,733,095
Interest receivable	3,000,000	3,062,248
Prepaid expenses and accrued income	909,621	459,442
Other receivables	4,436,625	3,477,498
	11,304,472	23,732,283

Interest receivable of KD 3,000,000 (2012: KD 3,062,248) is past due and the Parent Company intends to reschedule the repayment date to be during 2014.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	2013 KD	2012 KD
Held for trading		
Quoted equity securities	3,452,264	3,610,017
Designated upon initial recognition		
Unquoted equity security	10,672,634	10,672,634
Mutual funds	714,396	688,965
	14,839,294	14,971,616

17 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2013 KD	2012 KD
Bank balances and cash	13,868,068	7,085,023
Cash with a portfolio manager	1,062,024	4,587,792
	14,930,092	11,672,815
Bank overdraft	(5,308,782)	(5,317,590)
	9,621,310	6,355,225

Bank balances and cash includes saving accounts and short-term deposits held with reputable local commercial banks which yield an effective interest rate ranging between 0.6% to 0.75% (2012: 0.6% to 1%) per annum.

Bank overdraft bears an effective interest rate of 2.5% (2012: 2.5%) per annum over Central Bank of Kuwait ("CBK") discount rate.

18 SHARE CAPITAL

	2013 KD	2012 KD
Authorised 793,800,000 (2012: 793,800,000) shares of 100 fils each	79,380,000	79,380,000
Issued and fully paid up in cash 738,280,000 (2012: 738,280,000) shares of 100 fils each	73,828,000	73,828,000

19 RESERVES

a) Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contributions to KFAS, NLST, Zakat and Board of Directors' remuneration is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. No transfer has been made to statutory reserve, since losses have been incurred during the year.

Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

b) General reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is required to be transferred to the general reserve. There are no restrictions on distribution of general reserve. No transfer has been made to general reserve, since losses have been incurred during the year.

20 TREASURY SHARES AND TREASURY SHARES RESERVE

	2013	2012
Number of shares	-	9,884,984
Percentage of issued shares	-	1.34%
Cost (KD)	-	730,871
Market value (KD)	-	879,764

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

21 ACCOUNTS PAYABLE AND ACCRUALS

	2013	2012
	KD	KD
Trade payables	**398,252**	450,754
Amounts due to related parties (Note 25)	**17,770**	50,015
Accrued expenses and other payables	**1,662,703**	1,653,343
	2,078,725	2,154,112

22 TERM LOANS

On 11 August 2012, the Parent Company obtained a term loan of KD 15,000,000 from a local financial institution which is repayable on 10 August 2015. It carries interest at the rate of 5% per annum. The term loan is secured against certain portfolios maintained by the Parent Company with a third party whose value should not be below twice the amount of outstanding loan balance.

Term loans amounting to KD 26,565,748 (2012: KD 26,511,561) represents short-term credit facilities from a local bank are subject to interest rates ranging between 1.5% to 2.5% (2012: 1.5% to 2.5%) per annum over the CBK discount rate or 3 months LIBOR. Subsequent to the year end the Parent Company restructured these term loans which will be payable in 2014, 2015 and 2016.

Term loans amounting to KD 6,808,173 (2012: KD 6,791,020) represents short-term credit facilities from a local bank are subject to interest rates ranging between 1.5% to 2.5% (2012: 1.5% to 2.5%) per annum over the CBK discount rate or 3 months LIBOR. These term loans are secured against unquoted equity securities classified as financial assets at fair value through income statement amounting to KD 10,672,634 as of 31 December 2013.

Term loan amounting to KD 9,985,000 from a local financial institution is repayable on 13 May 2014. It carries interest at the rate of 4.5% per annum. The term loan is secured against murabaha receivable.

Term loan of KD 4,000,000 from a local financial institution is repayable on 12 May 2014. It carries interest at the rate of 4.75% per annum. The term loan is secured against an investment portfolio comprising of shares of a listed entity amounting to KD 2,462,049 as of 31 December 2013.

Term loans also includes Tawarruq finance amounting to KD 4,566,667 (2012: KD 6,850,000)

which was obtained in 2011 from a local bank. Tawarruq carries profit at rate of 5% (2012: 7.27%) per annum. The amount is repayable on 30 June 2014.

During 2012, a term loan of KD 72,672,640 was settled against the amount due from sale of subsidiary Ajwan General Trading and Contracting Company W.L.L. on transfer of term loan by NBK to a third party which is guaranteed by the Parent Company and Al Khair National for Stocks and Real Estate Company (Note 24).

23 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on nature of business and has two reportable operating segments as follows:

i) Investment segment represents trading in equities including investment in associates and other strategic investments; and
ii) Other segment represents rendering of non-investment services and general trading and contracting.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

	Investment		Other		Total	
	2013	2012	**2013**	2012	**2013**	2012
	KD	KD	**KD**	KD	**KD**	KD
Income	**5,204,175**	7,769,831	**5,733,480**	6,438,936	**10,937,655**	14,208,767
Results						
Depreciation (Note 8)	**(31,576)**	(33,881)	**(676,339)**	(810,358)	**(707,915)**	(844,239)
Amortisation (Note 9)	**-**	-	**(139,832)**	(279,663)	**(139,832)**	(279,663)
Impairment loss on financial assets available- for-sale (Note 13 (c))	**(2,938,843)**	(1,163,560)	**-**	-	**(2,938,843)**	(1,163,560)
Share of results of associate (Note 10)	**1,996,969**	1,139,437	**430,927**	-	**2,427,896**	1,139,437
Segment (loss) profit	**(2,167,188)**	2,965,795	**964,402**	1,274,447	**(1,202,786)**	4,240,242
Assets	**156,201,263**	148,817,293	**22,570,681**	23,009,110	**178,771,944**	171,826,403
Liabilities	**68,377,216**	54,122,437	**6,991,005**	9,058,228	**75,368,221**	63,180,665
Other disclosures:						
Investment in associates	**42,656,351**	12,772,146	**1,155,458**	-	**43,811,809**	12,772,146
Additions to property, plant and equipment	**279,260**	4,830	**1,847,302**	1,719,972	**2,126,562**	1,724,802
Additions to investment properties	**-**	1,250,000	**-**	-	**-**	1,250,000

23 SEGMENT INFORMATION (continued)

Geographic information
The Group operates in two geographic regions; Kuwait and Non-Kuwait. The following table shows the distribution of the Group's segment income and non-current assets by region:

Income	2013 KD	2012 KD
Kuwait	**10,967,971**	9,648,545
Non-Kuwait	**(30,316)**	4,560,222
	10,937,655	14,208,767

The income information above is based on the location of the assets generating the income.

Non-current assets	2013 KD	2012 KD
Kuwait	**115,312,255**	93,820,106
Non-Kuwait	**22,385,831**	27,429,583
	137,698,086	121,249,689

24 COMMITMENTS AND CONTINGENCIES

	2013 KD	2012 KD
Commitments		
Purchase of financial assets available-for-sale	**4,506,062**	5,468,748

Contingencies
At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 3,007,751 (2012: to a customer KD 2,072,000), from which it is anticipated that no material liabilities will arise.

The Parent Company and Al Khair National for Stocks and Real Estate Company have provided a guarantee to NBK against loan of KD 72,672,640 assigned to a third party during 2012 (Note 22). This loan was rescheduled during 2013 and the principal (excluding interest) is repayable in eleven annual installments commencing 15 June 2016.

25 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties in the consolidated financial statements are as follows:

	2013			2012
	Major shareholders	**Other related parties**	**Total**	**Total**
	KD	**KD**	**KD**	**KD**
Consolidated income statement				
Gain on sale of associate	-	-	-	3,362,504
Interest income (Note 4)	**240,000**	**1,951**	**241,951**	135,297
Murabaha income	**748,906**	-	**748,906**	293,786
Dividend income	-	**503,319**	**503,319**	819,283
Portfolio management fees	-	**6,218**	**6,218**	6,733
Impairment losses on financial assets available-for-sale	-	-	-	17,033

25 RELATED PARTY TRANSACTIONS (continued)

	2013			2012
	Major shareholders	**Other related parties**	**Total**	**Total**
	KD	**KD**	**KD**	**KD**
Consolidated statement of financial position				
Murabaha receivable (Note 12)	15,068,831	-	15,068,831	15,097,602
Financial assets available-for-sale (Note 13)	531,660	8,434,923	8,966,583	26,246,938
Financial assets at fair value through income statement (Note 16)	-	19,200	19,200	35,000
Amounts due from related parties (Note 15)	307,693	2,650,533	2,958,226	16,733,095
Amounts due to related parties (Note 21)	17,770	-	17,770	(50,015)
Cash with portfolio manager (Note 17)	-	91,745	91,745	3,581

The amount due from/to related parties are interest free and are receivable/payable on demand.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year was as follows:

	2013	2012
	KD	KD
Short-term employee benefits	**369,960**	387,997
End of service benefits	**50,313**	60,205
	420,273	448,202

Other information

a) The following financial assets are managed by related parties:

	2013	2012
	KD	KD
Financial assets available-for-sale		
Quoted equity securities	**5,438,751**	4,945,891
Mutual funds	**186,223**	202,412
Financial assets carried at fair value through income statement		
Quoted equity securities	**54,855**	58,628

b) The equity securities classified as financial assets available-for-sale with a carrying value of KD 12,659,846 (quoted KD 557,536, unquoted KD 2,674,330, mutual funds KD 9,427,980), (2012: quoted KD 5,348,659, unquoted KD 555,868) are registered in the name of a major shareholder of the Parent Company who has confirmed in writing that it holds these unquoted equity securities on behalf of the Parent Company (Note 16).

c) The real estate properties in Egypt classified as investment properties are registered in the name of a key management personnel who has confirmed in writing that he holds the investment property on behalf of the Parent Company.

d)During the year amount due from a major shareholder of KD 9,667,980 was settled in exchange for financial assets available-for-sale.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk.
The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2013 and 2012.

26.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk principally on its bank balances, held-to- maturity investment, accounts receivable and due from sale of investment in subsidiaries.
The Group has policies and procedures in place to limit the amount of credit exposure to any counter party. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Maximum exposure to credit risk

The Group's exposure to credit risk from bank balances, held-to-maturity investment, accounts receivable and due from sale of investment in subsidiaries arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements:

	2013	2012
	KD	KD
Bank balances (excluding cash)	**14,910,038**	11,664,680
Accounts receivable (excluding prepayments)	**10,394,851**	23,272,841
Due from sale of investment in subsidiaries	**-**	200,000
Murabaha receivable	**15,068,831**	15,097,602
Held-to-maturity investment	**2,700,000**	2,700,000
	43,073,720	52,935,123
Guarantee	**75,680,391**	74,744,640
	118,754,111	127,679,763

Risk concentrations of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's financial assets subject to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the following industry sectors in one geographic region i.e. Kuwait:

	2013	2012
	KD	KD
Banks and financial institutions	**14,910,038**	11,664,680
Corporate	**25,163,682**	38,008,195
Others	**3,000,000**	3,262,248
	43,073,720	52,935,123

The maximum credit risk exposure to a single counter party is KD 72,672,640 (2012: KD 72,672,640).

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations:

	Less than 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
2013				
Accounts payable and accruals	2,078,725	-	-	2,078,725
Bank overdraft	5,367,688	-	-	5,367,688
Term loans	5,776,056	49,049,165	17,492,604	72,317,825
	13,222,469	49,049,165	17,492,604	79,764,238
Commitments	-	925,000	3,581,062	4,506,062
Contingency – guarantee	-	3,007,751	72,672,640	75,680,391
	13,222,469	52,981,916	93,746,306	159,950,691

	Less than 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
2012				
Accounts payable and accruals	1,534,755	619,357	-	2,154,112
Bank overdraft	5,377,249	-	-	5,377,249
Term loans	27,066,714	14,677,156	17,708,219	59,452,089
	33,978,718	15,296,513	17,708,219	66,983,450
Commitments	279,371	285,047	4,904,330	5,468,748
Contingency - guarantee	-	2,072,000	72,672,640	74,744,640
	34,258,089	17,653,560	95,285,189	147,196,838

26.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of: interest rate risk, currency risk, and other price risk, such as equity price risk.

26.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's term loans and bank overdrafts with floating interest rates. The effect on Group's profit due to change in the interest rate by 25 basis points, with all variables held constant is as follows:

	2013 KD	2012 KD
Effect on profit	**106,718**	96,266

26.3.2 Foreign currency risk

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

Foreign currency risk is managed on the basis of limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
26.3 Market risk (continued)

26.3.2 Foreign currency risk (continued)

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of 5% in the KD currency rate against the US Dollar (USD), Jordanian Dinar (JOD), Egyptian Pounds (EGP) and others (Canadian Dollar, Euro, Indian Rupee, British Pound and United Arab Emirates Dirham), and with all other variables held constant, on the consolidated income statement (due to the fair value of currency sensitive monetary assets and liabilities) and other comprehensive income.

	2013		2012	
	Effect on profit	**Effect on other comprehensive income**	**Effect on profit**	**Effect on other comprehensive income**
	KD	**KD**	**KD**	**KD**
USD	**1,057,405**	**144,560**	1,082,635	13,623
JOD	**1,792**	**27,877**	-	27,798
EGP	**65,333**	**-**	-	-
Others	**1,546**	**186**	1,921	660

26.3.3 Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of the changes in the level of equity indices and the value of the individual stocks. The Group's quoted investments are primarily listed on the Kuwait Stock Exchange.

The effect on other comprehensive income (as a result of a change in the fair value of financial assets available-for-sale) and profit (as a result of a change in the fair value of financial assets at fair value through income statement) due to 5% change in market indices, with all other variables held constant is as follows:

	2013		2012	
	Effect on profit	**Effect on other comprehensive income**	**Effect on profit**	**Effect on other comprehensive income**
Market index	**KD**	**KD**	**KD**	**KD**
Kuwait	**179,420**	**2,540,135**	185,629	2,621,918

27 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012.

27 CAPITAL MANAGEMENT (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings (term loans and bank overdraft), and other liabilities, less bank balances and cash. Capital represents equity attributable to the equity holders of the Parent Company.

	2013	2012
	KD	KD
Interest bearing loans and borrowings	**72,766,495**	60,583,321
Accounts payable and accruals	**2,078,725**	2,154,112
Less: Bank balances and cash	**(14,930,092)**	(11,672,815)
Net debt	**59,915,128**	51,064,618
Capital	**102,598,539**	107,947,926
Total capital and net debt	**162,513,667**	159,012,544
Gearing ratio	**37%**	32%

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. Financial instruments comprise financial assets and financial liabilities.

The estimated fair values of financial instruments, except for unquoted equity securities classified as financial assets available-for-sale (Note 13) approximated their carrying values at the reporting date.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total**
	KD	**KD**	**KD**	**KD**
2013				
Financial assets available-for-sale	**39,276,022**	**9,619,957**	**-**	**48,895,979**
Financial assets at fair value through income statement	**3,452,264**	**714,396**	**10,672,634**	**14,839,294**
2012				
Financial assets available-for-sale	56,518,816	1,161,041	-	57,679,857
Financial assets at fair value through income statement	3,610,017	688,965	10,672,634	14,971,616

28 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

During the reporting periods ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

There has been no movement in Level 3 financial assets recorded at fair value through income statement during the year.

29 DIVIDENDS

The Annual General Assembly meeting held on 7 May 2013 approved and distributed the cash dividend of 6 fils per share (2012: 5 fils per share) for the year ended 31 December 2012 on outstanding shares excluding treasury shares.