

دیمه کابیتال  
dimah capital

# Annual Report 2013





His Highness the Amir  
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah



His Highness the Crown Prince  
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah



Dimah Capital Investment K.S.C. (Closed)  
and its Subsidiary (The Group)  
State of Kuwait

Consolidated Financial Statements  
For The Year Ended December 31, 2013  
With Independent Auditor's Report



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# BOARD OF DIRECTORS

Mr. Abdulrahman Mahmoud Zaman  
Chairman



Mr. Sameer Al-Gharaballi  
Vice Chairman & MD

Mr. Fawaz Sulaiman Al-Othman  
Board Member



Mr. Abdullah Al-Sendan  
Board Member

Mr. Ahmad Ibrahim Al-Khalaf  
Board Member





# EXECUTIVE MANAGEMENT

Mr. Sameer Al-Gharaballi  
Vice Chairman & MD



Mr. Haydar Tawfik  
Executive Vice President  
Asset Management



Mrs. Ruba Omar Al Khairi  
Senior Vice President  
Client Relationship



Mr. Dakhil Abdullah Al Dakhil  
Senior Vice President  
Alternative Investments





## FATWA & SHARIA SUPERVISORY BOARD

- 1- Dr. Essam Khalaf Al-Enez - Chairman, Fatwa and Sharia Supervision Board
- 2- Dr. Nazem Mohammad Al Musbah - Member of the Board
- 3- Dr. Sulieman Maarafie Safar - Member of the Board
- 4- Dr. Naif Mohammad Al-Ajmi - Member of the Board
- 5- Dr. Khaled Shojaa Al-Otaibi - Member of the Board
- 6- Dr. Ibrahim Abdullah Al-Sabaii - Member of the Board

# BOARD OF DIRECTORS REPORT

Dear Shareholders,

On behalf of myself and my fellow brothers, Chairman and members of the Board of Directors of Dimah Capital Investment Co., I have the pleasure to welcome you to our annual General Assembly meeting and I am honored to present to you the sixth annual report for the financial year ended in 31 December 2013, which includes the Board of Directors' annual report, the latest developments in the company's activities, an up-to-date progress report as well as the Fatwa and Sharia Supervisory Board report and the company's independent auditors' report in addition to an overview of the most prominent global, regional and local economic developments.

## Global Economic Review

I am happy to say that 2013 was a much better year for the global economic environment. The global economy grew by more than 2.5%. Most of this growth was generated across the board. The US economy managed to pull the rest of the world with it. The US Federal Reserve Bank continued to pump money into the system and that helped to keep short and long term interest rates at record lows. In the Euro Zone, the European Central Bank managed to keep the bloc together and it used all the tools at its disposal to keep the Euro from breaking up. However, the euro Zone economy is still suffering from a very weak economic activity coupled with very high unemployment. One bright spot in Europe has been the UK economy. The British economy, under the conservative Chancellor of the Exchequer, continued to deliver good economic growth with falling unemployment. The international concern about the big slowdown in the Chinese economy was over blown. The Chinese economy continued to grow albeit at a slower rate but it is still growing over 7% per year. The newly elected Japanese Prime Minister has managed to come up with some stimulus measures to generate economic growth, and at the same time to weaken the Japanese yen. These measures, at least for the short term, managed to deliver economic growth and a much weaker currency.

The continued debates within the US Congress about the expanded and alarming balance sheet of the Federal Reserve Bank have forced the bank to start what it termed as "tapering". The principal idea behind tapering is the reduction in the amounts of bond buying by the Central Bank. This has caused some angry reaction in the developing world, as some of the emerging markets currencies came under heavy selling by investors who were repatriating money into the US\$ in anticipation of rates moving up. However, because of the very low inflation in the developed world and the risk of deflation, the fear of rates going up has diminished gradually and the financial markets have slowly settled down. In contrast, the fear of deflation is more widespread in the Euro Zone at present. The ECB is well aware of this fear as it sees the rate of inflation falling to just over 0.5% for the whole of the Euro Zone. This very low rate is well below the ECB's target of around 2%. It is more likely that the ECB will come up with some measures to stop the rate of inflation from falling further and into dangerous territories.

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## International Stock Markets

The stock markets around the advanced world rebounded in 2013, despite outbreaks of investor nerves over the tapering of the US Federal Reserve's monetary stimulus programs. The American equity markets registered their strongest year since 1997, with S&P 500 finishing the year 30 per cent higher. The European stock markets also experienced their strongest annual performance since 2009, as fears of a Eurozone breakup abated and the single currency area finally emerged from recession. The strongest performer of the large Eurozone economy stock market indexes was Germany's Dax, which rose 23 per cent on the year. Despite France's relative economic malaise, the CAC index rose a respectable 18 per cent. Spain's IBEX put on 21 per cent and Italy's MIB rose 12 per cent in 2013. In the UK, the FTSE 100 index finished the year up 14 per cent, its best performance in four years.

In Asia, Japan's Nikkei index was the standout performer of 2013. It jumped 52 per cent over 12 months, with investors fired up by Prime Minister Shinto Abe's overhaul of a monetary and fiscal policy designed to pull the world's third largest economy out of its two-decade-long deflationary stagnation. However, the performance of emerging market economies was more mixed. The Indian stock exchange recovered from its summer plunge brought on by rumors of the Fed's taper of its asset purchases, which has been supporting equities in the developing world. Mumbai's BSE Index finished the year up 9 per cent. But the Brazilian stock market endured a torrid 2013, losing 18 per cent over the year. MSCI's emerging market index fell by 5 per cent in 2013. The flipside of the recovery of equity markets in developed countries was a fall in demand for the perceived safe assets. Gold registered its largest annual decline in 30 years in 2013, with the spot price falling by 28 per cent over the 12 months to \$1,190 per ounce. Also, there was a correction in government bonds throughout the world.

## GCC economy

One very bright spot in the Arab world has been the GCC economies. Whereas most Arab economies have been suffering from local political tension and big budget deficits, the GCC continued to deliver good economic numbers. The economic measures introduced by the GCC governments over the past few years have led to strong economic activities and job creation. Also, the sustained high crude oil prices in the global markets have increased the revenue for most of the GCC countries. These good economic activities were reflected in the performance of the GCC financial markets. There was a record issuance of Sukuk bonds by governments and corporates in the GCC. Dubai Stock Exchange was the best performing market in the world. It went up by more than 100%. Also, good performances were delivered in other markets: Abu Dhabi up 63%, Kuwait up 27%, Saudi Arabia 25%, Qatar up 24%.

## Kuwait economy

Strong consumer spending helped ensure economic growth in Kuwait in 2013, although a slowdown in the energy sector meant the rise in GDP was modest. The outlook for the oil industry in 2014 is unclear, but there is an expectation that private consumption and the rollout of government infrastructure projects

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have the capacity to boost growth in the coming year. According to an early-December statement by the IMF, Kuwait's economy was projected to grow by 0.8% in 2013, down from 6.2% in 2012. The oil sector shrank by 2%, the Fund said, while the remainder of the economy expanded by 3%. According to the Kuwait Finance House (KFH), the oil sector will grow by 4% in 2014, while the National Bank of Kuwait (NBK) expects a contraction of 4%. Their projections for the broader economy therefore also diverge, with KFH forecasting a GDP growth of 5%, and NBK predicting a slight decline at -0.6%. Meanwhile, the IMF expects a rise of 2.6% this year.

There appears to be greater consensus on continued growth in the non-oil segment of the economy, driven primarily by private consumption and better implementation of the government's development projects.

Consumers provided an important boost to the economy in 2013. The latest reports suggest that points of sale transactions climbed nearly 18% year-on-year for the first six months of 2013 to reach \$11.4bn. This big increase was caused by the increase in wages that came into effect at the end of last year, an increase in employment levels, with most jobs coming through the public sector, as well as strong consumer sentiment. Also, a decision by the government last April to write-off up to \$2.6bn in personal debt likely fuelled purchases, although in October the local media reported that fewer than expected Kuwaitis had signed up for the program, with around 16,500 of the 42,000 eligible individuals have registered to receive benefits.

Over all, the Kuwaiti Economy maintained its healthy state in 2013 with oil prices averaging just over \$100 per barrel and having a healthy government balance sheet. The budget surplus for the first eight months of the fiscal year 2013/14 (April-March) reached KD15.6bn (US \$52bn), far exceeding the surplus recorded for 2013.

Dear Shareholders,

2013 was another challenging year for most investment companies in Kuwait and the region. Dimah has progressed further from its early years in which it focused on restructuring the business and getting the qualified staff to drive its business into the coming years. We have successfully implemented most of our early plans and managed to deliver good performance for our shareholders and clients. The support of our dedicated shareholders and a strong balance sheet, have helped us to continue recruiting the right professional caliber with the knowledge of international equity investments and real estate business. We have managed to put together a team of professionals who fully understand what Dimah requires from them and who are capable of expanding the business in the future. Also, Dimah has successfully managed to meet all the regulatory requirements and has established in this regard a professional framework responsible for compliance, good governance and investment risks assessment.

In August of 2013, Dimah managed to complete the acquisition of Al Fouz Investment Company through a stock offering. As a result, the shareholders of Al Fouz now hold 38% of Dimah's new capital of KD 24,937,539. The acquisition is considered strategic for Dimah and our group companies. With this acquisition, Dimah has a stronger balance sheet and capital base. In addition, the quality of local assets has improved by adding liquid stocks and one of a kind real estate plots in Kuwait.

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For the purpose of growing and developing our business for the benefit of our shareholders, the company has managed this year to close three International Real Estate deals in the UK after proving the success of our first deal last year, Canterbury Student Housing. This year we managed a portfolio of four international real estate deals in the UK, namely: Canterbury, EE, Argos and Primelife, with a total deal value of £130 million. The Company obtained the approval of the Capital Markets Authority for the first global equity fund compatible with the provisions of Islamic Sharia, which is still at the offering stage.

These investment activities have substantially increased the company's revenues by 380% during 2013 to reach about KD 4,101,301, with a positive change in the net profit from KD (349,195) in 2012 to KD 1,500,368 in 2013.

We believe that 2013 was the beginning of an era of success for Dimah Capital Investment and in sha Allah in 2014 we will continue on this path to achieve a higher successful status among domestic and global competitors.

The Board of Directors recommends to your esteemed assembly not to distribute dividends for the financial year ended on 31 December 2013.

In conclusion, we pray God Almighty that our efforts to provide the best for our shareholders and investors will be successful, and pray His Almighty to bless Kuwait our beloved country and its people under the wise leadership of His Highness Emir of Kuwait and His Highness the Crown Prince and the diligent government.

We would also like to extend our deep thanks and appreciation to the Fatwa and Sharia Supervisory Board for its cooperation, as well as for the company's executive management and staff for their efforts in supporting the company's endeavors to achieve its goals and aspirations.

# FATWA & SHARIA SUPERVISORY BOARD REPORT

Esteemed Shareholders,

You have entrusted us with the mission of Sharia compliance supervision, and we have monitored the contracts and transactions entered into by the company during the period from 01/01/2013 to 31/12/2013. Our responsibility is limited to expressing an independent opinion on the extent of the company's work and activities compliance with the provisions of Islamic Sharia.

On the basis of the Sharia auditing report submitted by the Sharia supervisory administration, which carried out the audit in accordance with the decisions of the Board made in the light of the standards and regulations issued by the Board of Accounting and Auditing of Islamic Financial Institutions requiring the planning and implementation of the auditing and revision procedures for the purpose of obtaining all the information, explanations and approvals necessary to submit a reasonable confirmation that the company is committed to the Islamic Sharia regulations as we have established them, we believe that the auditing activities carried out by the administration provide appropriate grounds for expressing a reasonable opinion.

The company's administration shall remain responsible for committing to the implementation of the contracts and transactions in accordance with the Islamic Sharia provisions as established by the Fatwa and Sharia Supervisory Board.

Based on the above, the Board sustains that:

1. During the mentioned period, the company complied with its responsibilities with regard to the execution of the contracts and transactions in accordance with the provisions of the Islamic Sharia as specified in the Sharia compliant opinions, guidelines and decisions that we have issued during the mentioned period, and, to the best of our knowledge, no violations of the Sharia principles have been committed.
2. Zakat alms were calculated based on the Board's certified guidelines.
3. All the revenues generated from sources or by means prohibited by Islamic Sharia have been set aside to be used in charity activities.

## Fatwa and Shariah Supervisory Board Members

- Dr. Essam Khalaf Al-Enzi (chairman)
- Dr. Nazem Mohamamal Al Musbah
- Dr. Suleiman Maarafie Safar
- Dr. Shujaa Al Outaibi
- Dr. Ibrahim Abdullah Al-Sabaii
- Dr Naif Mohammad Al-Ajmi
- Dr. Mohammad Oud Alfazii'

# INDEPENDENT AUDITORS REPORT

The Shareholders  
Dimah Capital Investment Company - K.S.C. (Closed)  
State of Kuwait

## Report on the consolidated financial statements

I have audited the accompanying consolidated financial statements of Dimah Capital Investment Company - K.S.C. (Closed) (the Parent Company) and its subsidiaries (the Group) which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

## Management's responsibility for the consolidated financial statements

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

## Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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## Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dimah Capital Investment Company - K.S.C. (Closed) (the Parent Company) and its subsidiaries (The Group) as of December 31, 2013, and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted in the State of Kuwait.

## Report on other Legal and Regulatory Requirements

Also in my opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 25 of 2012 and its amendments and its executive regulations and the Parent Company's Memorandum of Incorporation and Articles of Association, and I obtained the information I required to perform my audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to me, there were no contraventions during the financial year ended December 31, 2013 of either the Companies Law No. 25 of 2012 and its amendments and its executive regulations or the Parent Company's Memorandum of Incorporation and Articles of Association which might have materially affected the Group's financial position or results of its operations.

I further report that, during the course of my audit, I have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency and the Central Bank of Kuwait and the organization of banking business and its related regulations, and I further report that, I have not become aware of any material violation of Law No. 7 of 2010 concerning the Capital Market Authority and organization of security activity, and its amendments and executive regulations, during the financial year ended December 31, 2013 that might materially affected the Group's financial position or its operations

State of Kuwait  
June 10, 2014

Nayef M. Al Bazie  
Licence No. 91-A  
RSM Albazie & Co.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2013**  
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
<b>ASSETS</b>			
Cash on hand and at banks		1,204,155	897,598
Investments at fair value through statement of income	4	992,407	20,400
Wakala Investments	5	40,631	40,720
Accounts receivable and other debit balances	6	4,774,002	1,778,710
Due from ultimate parent company	7	2,100,000	259,603
Murabaha receivables	8	913,068	41,360
Investments available for sale	9	14,536,614	11,567,783
Investment in associates	10	1,825,049	-
Investment in unconsolidated subsidiary		-	39,600
Fixed assets		838,136	65,306
<b>Total assets</b>		<b>27,224,062</b>	<b>14,711,080</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Accounts payable and other credit balances	11	726,434	359,949
End of service indemnity		94,590	49,255
<b>Total liabilities</b>		<b>821,024</b>	<b>409,204</b>
<b>Equity:</b>			
Share capital	12	24,937,593	15,000,000
Statutory reserve	13	153,584	36,058
Voluntary reserve	14	153,584	36,058
Cumulative changes in fair value		(134,612)	6,806
Retained Earnings (Accumulated losses)		1,199,228	(779,820)
Equity attributable to Parent Company's shareholders		26,309,377	14,299,102
Non-controlling interests		93,661	2,774
<b>Total equity</b>		<b>26,403,038</b>	<b>14,301,876</b>
<b>Total liabilities and equity</b>		<b>27,224,062</b>	<b>14,711,080</b>

Abdulrahman Mahmoud Zaman  
Chairman

Samir Abdulmohsin Al Gharaballi  
Vice Chairman and Managing Director

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2013**  
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Revenues:			
Consultancy income		268,180	250,000
Structuring and marketing income		661,893	186,252
Management income		85,643	37,701
Murabaha and wakala income		12,122	62,390
Net investment income	15	798,819	234,208
Group's share of results from associates	10	(234,610)	-
Loss on partial sale of investment in an associate		(13,515)	-
Gain on sale of investment properties		4,087	-
Loss on sale of fixed assets		(17,453)	-
Gain from acquisition of a subsidiary	3	2,321,048	-
Other income		215,087	84,473
<b>Total revenue</b>		<b>4,101,301</b>	<b>855,024</b>
Expenses:			
General and administrative expenses	16	1,930,355	1,088,703
Provision for Murabaha receivables (no longer required)	8	7,841	(627)
Impairment loss of investments available for sale	9	50,500	66,982
Depreciation		63,464	24,891
Loss on sale of lands	6	479,043	-
Finance costs		31,340	-
Accounts receivable and other debit balances write off		8,944	24,270
<b>Total expenses</b>		<b>2,571,487</b>	<b>1,204,219</b>
Profit (loss) for the year before contribution to Kuwait Foundation for the Advancement of Science (KFAS) and Zakat		1,529,814	(349,195)
Contribution to KFAS	17	(13,823)	-
Contribution of Zakat	18	(15,623)	-
<b>Net profit (loss) for the year</b>		<b>1,500,368</b>	<b>(349,195)</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2013**  
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Attributable to:			
Parent Company's shareholders		1,506,396	(348,924)
Non-controlling interests		(6,028)	(271)
<b>Net profit (loss) for the year</b>		<b>1,500,368</b>	<b>(349,195)</b>
Earnings (loss) per share (fils)	19	8.20	(2.33)

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME FOR THE YEAR  
ENDED DECEMBER 31, 2013 (All amounts are in Kuwaiti Dinars)

	2013	2012
Net loss for the year	1,500,368	(349,195)
Other comprehensive loss:		
<b>Items that may reclassified subsequently to statement of profit or loss:</b>		
Changes in fair value of investments available for sale	(132,298)	(38,826)
<b>Other comprehensive loss for the year</b>	(132,298)	(38,826)
Total comprehensive income (loss) for the year	1,368,070	(388,021)
Attributable to:		
Parent Company's shareholders	1,374,098	(387,750)
Non-controlling interests	(6,028)	(271)
<b>Total comprehensive loss for the year</b>	1,368,070	(388,021)

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013 (All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders							
	Share capital	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Retained Earnings (Accumulated losses)	Sub Total	Non – controlling interests	Total
Balance as of December 31, 2011	15,000,000	36,058	36,058	45,632	(430,896)	14,686,852	6,090	14,692,942
Total comprehensive (loss) income for the year	-	-	-	(38,826)	(348,924)	(387,750)	(271)	(388,021)
Effect of sale of a subsidiary	-	-	-	-	-	-	(3,045)	(3,045)
Balance as of December 31, 2012	15,000,000	36,058	36,058	6,806	(779,820)	14,299,102	2,774	14,301,876
Transfer from reserves to set off accumulate losses (Note 21)	-	(36,058)	(36,058)	-	72,116	-	-	-
Decrease in capital to set off accumulated losses (Note 21)	(707,704)	-	-	-	707,704	-	-	-
Increases in capital (Note 12)	10,645,297	-	-	-	-	10,645,297	-	10,645,297
Effect of acquisition of a subsidiary (Note 3)	-	-	-	(9,120)	-	(9,120)	96,915	87,795
Total comprehensive loss for the year	-	-	-	(132,298)	1,506,396	1,374,098	(6,028)	1,368,070
Transfer to reserves	-	153,584	153,584	-	(307,168)	-	-	-
Balance as of December 31, 2013	24,937,593	153,584	153,584	(134,612)	1,199,228	26,309,377	93,661	26,403,038

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
<b>Cash flows from operating activities:</b>			
Profit (loss) for the year before contribution Kuwait Foundation for the Advancement of Science and ZAKAT		1,529,814	(349,195)
Adjustments:			
Murabaha and Wakala income		(12,122)	(62,390)
Net investment income		(798,819)	(234,208)
Group's share of results from associates		234,610	-
Loss on parties sale of an associate		13,515	-
Gain on sale of investment properties		(4,087)	-
Loss on sale of fixed assets		17,453	-
Gain from acquisition of a subsidiary		(2,321,048)	-
Provision for Murabaha receivables (no longer required)		7,841	(627)
Impairment loss of investments available for sale		50,500	66,982
Depreciation		63,464	24,891
Loss on sale of lands		479,043	-
Finance costs		31,340	-
Accounts receivable and other debit balances write off		8,944	24,270
End of service indemnity		86,397	57,564
		(613,155)	(472,713)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		-	4,166
Accounts receivable and other debit balances		3,250,984	(21,250)
Due from ultimate parent company		259,603	(259,603)
Murabaha receivables		(879,549)	194,425
Accounts payable and other credit balances		108,062	32,616
Cash generated from (used in) operating		2,125,945	(522,359)
End of service indemnity paid		(110,479)	(28,045)
Net cash generated from (used in) operating activities		2,015,466	(550,404)

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(All amounts are in Kuwaiti Dinars)**

	Note	2013	2012
<b>Cash flows from investing activities:</b>			
Wakala Investments		89	2,242,238
Paid for purchase of investments available for sale		(14,918,778)	(5,514,032)
Proceeds from sale of investments available for sale		11,598,017	2,457,844
Proceeds from sale of investment in an associate		69,004	-
Proceeds from Murabaha and Wakala income		12,122	62,390
Proceeds from sale of Investment properties		651,312	-
Paid to acquire investment in a subsidiary		(10,756,750)	-
Fixed assets		(22,310)	(38,542)
Investment in unconsolidated subsidiary		39,600	(39,600)
Dividend income received		233,631	136,007
Net cash used in from investing activities		(13,094,063)	(693,695)
<b>Cash flows from financing activities:</b>			
Proceeds from capital increase		10,645,297	-
Paid to finance costs		(31,340)	-
Net cash generated from financing activities		10,613,957	-
Net decrease in cash on hand and at banks		(464,640)	(1,244,099)
Cash on hand and at banks at the beginning of the year		897,598	2,141,697
Cash related to acquisition of a subsidiary	3	771,197	-
Cash on hand and at banks at the end of the year		1,204,155	897,598

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements.

## 1. Incorporation and activities

Dimah Capital Investment Company - K.S.C. - (Closed) was incorporated pursuant to Article of Association as a Kuwaiti Shareholding Company - (Closed) authenticated at the Ministry of Justice – Department of Registration and Documentation under Ref. No. 5653 / Vol. 1 on July 15, 2007.

The Parent Company's objectives for which it was incorporated are as follows:

1. Investment in real estate sectors, industrial, agricultural and other economic sectors.
2. Manage public and private institutions funds and invest this funds in various economic sectors.
3. Evaluation and preparation of studies and technical consultations, economic and evaluation and study projects.
4. Mediation in lending / borrowing operations and international trade operations.
5. Provide loans to others, taking into account the financial integrity of assets in the granting of loans.
6. Dealing and trading in the foreign currency market and precious metals market in Kuwait and abroad.
7. Special operations related to trading securities of buying and selling stocks and corporate bonds.
8. Invest money in various aspects of investment approved by the Central Bank of Kuwait.

According to the Extraordinary General Assembly meeting dated November 29, 2011, the Company's name changed from Beyoo Finance and Investment Company - K.S.C. (Closed) to Dimah Capital Investment Company - K.S.C. (Closed). The amendment was authenticated at the Commercial Register on December 4, 2011.

The Company is registered in the commercial register under Ref. No. 323021 on August 21, 2007.

The Company is a subsidiary of Al Imtiaz Investment Group Company - K.S.C. (Closed) (ultimate parent company).

The Company's registered address is P.O.Box 2152, Safat, State of Kuwait.

The total number of employees of the Company as of December 31, 2013 is 44 employees (2012 - 50).

The Companies Law issued on November 26, 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. Some articles of Companies Law No.25 were subsequently amended by decree law No.97 of 2013. The Executive Regulation of the new amended law was issued on September 29, 2013 and was published in the official Gazette on October 6, 2013. As per article No. (3) of the executive regulation, the companies have one year from the date of publishing the executive regulation to comply with the new amended law.

The consolidated financial statements were authorized for issue by the Board of Directors on June 10, 2014. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

## 2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and with the regulations of the government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for IAS 39 requirements for collective provision, which has been replaced by the Central Bank of Kuwait requirements for a minimum general provision of 1% for cash facilities and 0.5% for non cash facilities, (if any) as described under the accounting policy for impairment of financial assets. Significant accounting policies are summarized as follows:

### a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except for investments at fair value through profit or loss and certain investments available for sale that are stated at their fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2013:

#### IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories:

- a) Items that will not be reclassified, subsequently to consolidated statement of profit or loss.
- b) Items that may be reclassified to consolidated statement of profit or loss when specific conditions are met.

The amendments are effective for annual periods beginning on or after July 1, 2012.

#### 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 revised standard becomes effective for annual periods beginning on or after January 1, 2013.

#### IFRS 7 Offsetting financial assets and financial liabilities and related disclosures

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments are effective for annual periods beginning on or after January 1, 2013.

#### IFRS 10 Consolidated Financial Statements

The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.

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

#### IFRS 12 Disclosure of Interests in Other Entities

The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

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

#### IFRS 13 Fair Value Measurement

This IFRS:

- a) Defines fair value.
- b) Sets out in a single IFRS a framework for measuring fair value.
- c) Requires disclosures about fair value measurements.

IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value.

The new requirements are effective for annual periods beginning on or after 1 January 2013.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(r).

#### Standards and Interpretations issued but not effective

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

Amendments to IAS 32 offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the meaning of “currently has a legally enforceable right of set off” and “simultaneous realization and settlement”.

These are effective for annual periods beginning on or after January 1, 2014.

IFRS 9 Financial Instruments:

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

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

Amendments to IFRS 10, IFRS 12 Investment Entities.

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2014.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of Dimah Capital Investment Company - K.S.C. (Closed) and the following subsidiaries:

Name of Subsidiaries	Country of incorporation	Percentage of ownership %	
		2013	2012
Al-Wather for General Trading and Construction - W.L.L.	Kuwait	99%	99%
Al Fouz Investment Company- K.S.C. (Closed)	Kuwait	99.27%	-

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company

- Has power over the investee.
- Is exposed, or has rights to variable returns from its involvement with the investee.
- Has the ability to use its power to affect its returns.

The Company reassess 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 listed above.

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquire, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest.
- 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 profit or loss.
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash at banks, Investments, receivables, due from ultimate parent company and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

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

d) Investments

The Group classifies its investments in the following categories: Investments at fair value through profit or loss, and available for sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

Investments at fair value through profit or loss

This category has two sub-categories: investments held for trading, and those designated at fair value through profit or loss at inception.

- An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.
- An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the end of the financial reporting period.

Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset / settlement date – the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

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

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

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

An investment (in whole or in part) is derecognized either when:

- A- The contractual rights to receive the cash flows from the investment have expired
- B- The Group has transferred its rights to receive cash flows from the investment and either
  - 1- has transferred substantially all the risks and rewards of ownership of the investment
  - 2- has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

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

e) Wakala Investments

Wakala investments represent an agreement whereby the Group gives certain amount of cash to another party, and invests it according to specific minimum rate of return. Wakala investments are stated at amortized cost less provision for impairment using the effective yield.

f) Receivables

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

g) Murabaha receivables

Murabaha receivable represents a sale of commodity with deferred installments. Murabaha receivables are stated net of impairment losses or provision for doubtful debts. In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% had been accounted on all finance facilities, net of certain restricted categories of collateral, which are in accordance with the Central Bank of Kuwait guidelines.

h) Associates

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

Losses of an associate in excess of the Group interest in that associate (which includes any long-term interests that, in substance, form part of the Group net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

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

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

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

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

i) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

j) Fixed assets

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after

the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

Fixed assets are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of other fixed assets as follows:

	Years
Buildings	25
Computers	3 - 5
Tools and equipments	3
Furniture and fixtures	5
Cars	5

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets..

k) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment

loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

l) Payables

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

m) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

n) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period and approximates the present value of the final obligation.

o) Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved..

Murabaha and Wakala income

Murabaha and Wakala income is recognized on a time apportionment basis using effective rate of return method.

Dividend income

Dividend income is recognized when the group's right to receive payment is established.

Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

Other income

Other revenue and expenses are recognized on an accrual basis.

p) Finance charges

Finance charges are recognized in the consolidated statement of profit or loss in the year in which they are incurred on a time apportionment basis.

q) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

r) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements except when the possibility of an outflow of resources embodying economic losses is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

s) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed in the Notes to the consolidated financial statements.

t) Critical accounting judgments, estimates and assumptions

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments:

In the process of applying the Group's accounting policies which are described in Note (2), management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition:

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment

(ii) Classification of investments:

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

(iii) Impairment of investments:

The Group follows the guidance of IAS 39 to determine when an investment available-for-sale is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

b) Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimating uncertainty at the financial position 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 as follows:

(i) Fair value of unquoted equity investments:

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Provision for doubtful debts:

The estimation process of provision for doubtful debts requires judgments. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of receivables are subject to management approval.

### 3. Acquisition of a subsidiary

During the year, the Group acquired 99.27% of Al Fouz Investment Company - K.S.C. (Closed) for an amount of KD 10,756,750 which resulted in gain from acquisition of a subsidiary of KD 2,321,048. The identifiable assets and liabilities at the date of acquisition are as follow:

<b>Identifiable assets and liabilities at acquisition date</b>	Kuwaiti Dinar
Cash on hand and at banks	771,197
Investments at fair value through statement of profit or loss (Note 4)	972,007
Accounts receivable and other debit balances	788,060
Payments to purchase investment properties	5,956,720
Investments available for sale (Note 9)	1,396,163
Investment in associates (Note 10)	2,142,178
Investment properties	647,225
Fixed assets	831,437
Accounts payable and other credit balances	(227,614)
Due to related parties	(1,363)
End of service indemnity	(69,417)
Cumulative change in fair value	9,120
	<u>13,215,713</u>
Non controlling interests	(96,915)
Net equity	13,118,798
Amount paid for acquisition	(10,756,750)
Previously owned share (Note 9)	(41,000)
Gain from acquisition of investment in a subsidiary	<u>2,321,048</u>

<b>Name of the Company</b>	Ownership percentage	
	Before reclassification	After reclassification
Al Fouz Investment Company - K.S.C. (Closed)	0.33%	99.27%

#### 4. Investments at fair value through profit or loss

Investments at fair value through profit or loss represent shares of local companies listed in Kuwait Stock Exchange which were suspended from trading. These investments were valued based on last bid price, which included shares in the ultimate parent company amounted to KD 972,007, that been re-listed subsequent to the consolidated financial statements date.

#### 5. Wakala Investments

Wakala investments represent contracts with Islamic financial institution. The effective rate of return ranges from 0.75% to 1.25% (December 31, 2012 – 0.75% to 2.00%).

#### 6. Accounts receivable and other debit balances

	2013	2012
Advance payments to purchase investments	-	1,662,365
Payments to purchase investment properties (a)	932,928	-
Due from sale of investment properties (a)	3,756,024	-
Staff receivable	2,310	1,099
Prepaid expenses and other debit balances	82,740	115,246
	4,774,002	1,778,710

During the year, the group has refunded an amount of KD 1,662,365 from advance payments to purchase investments.

a) Due from sale of investment properties includes an amount KD 3,288,801 resulted from sales of lands at cost amounting to KD 5,023,792 to a local company which was classified during the acquisition as payments to purchase investment properties (Note 3) after deducting an amount of KD 479,043 representing the difference of land sale consideration and the net present value of payments which was recognized as loss on sale of lands. The sale amount is due in three installments in October 2013, 2014 and 2015. During the year the first installment has been collected of KD 1,255,948. The deferred revenue will be recognized within the consolidated statement of profit or loss based on a proportionate time basis.

#### 7. Related party disclosures

The Group has entered into various transactions with related parties, i.e. the ultimate parent company and other related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management. Significant related party balances and transactions are as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(All amounts are in Kuwaiti Dinars)

Balances included in the consolidated statement of financial position	Ultimate Parent Company	Other related parties	2013	2012
Accounts receivable and other debit balances	5,101	-	5,101	-
Due from Ultimate Parent Company	2,100,000	-	2,100,000	259,603
Murabaha Receivables	-	220,046	220,046	31,038
Transactions included in the consolidated statement of profit or loss				
Consultancy income	250,000	-	250,000	250,000
Murabaha income	-	3,320	3,320	1,270
Net investment income	97,998	15,000	112,998	-
Key management compensation			2013	2012
Short term benefits			347,608	293,299
Post - employment benefits			29,308	24,058

Due from ultimate parent company resulted from sale of investment available for sale of KD 2,100,000, which resulted in a gain of KD 97,998, the ownership of which has not yet been transferred till the date of the consolidated statement of financial position. The due balance will be paid in one payment within six months from the date of the contract between the two parties dated July 23, 2013. No payment was received on the maturity date and till the report date, in the management's opinion, no provision for impairment need to be recorded as of December 31, 2013.

#### 8. Murabaha receivables

	2013	2012
Murabaha receivables	922,501	42,952
Less: provision for impairment	(9,433)	(1,592)
	913,068	41,360

Movement in general provision for impairment of Murabaha receivable is as follows:

	2013	2012
Balance at the beginning of the year	1,592	18,020
General provision charge for the year	9,389	467
General provision for Murabaha receivables write off	-	(15,801)
Provision no longer required	(1,548)	(1,094)
Balance at the end of the year	9,433	1,592

The provision for impairment for Murabaha receivables complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all credit facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision.

## 9. Investments available for sale

	2013	2012
Quoted Equity securities	3,025,628	1,802,878
Unquoted Equity securities	8,968,659	7,937,717
Funds and portfolios	2,542,327	1,827,188
	<u>14,536,614</u>	<u>11,567,783</u>

It was not possible to measure the fair value of unquoted equity securities amounting to KD 8,968,659 (December 31, 2012 – KD 7,937,717) were stated at their cost less impairment loss due to non availability of a reliable method to measure their fair value.

The movement during the year is as follows:

	2013	2012
Balance at the beginning of the year	11,567,783	8,547,826
Effect of acquisition of a subsidiary (Note 3)	1,396,163	-
Additions	14,918,778	5,514,032
Disposals	(13,122,312)	(2,388,267)
Transfer to investment in a subsidiary (Note 3)	(41,000)	-
Change in fair value	(132,298)	(38,826)
Impairment loss	(50,500)	(66,982)
Balance at the end of the year	<u>14,536,614</u>	<u>11,567,783</u>

Investments available for sale are demonstrated in the following currencies:

	2013	2012
Currency:		
Kuwait Dinar	5,584,652	6,629,462
US Dollar	2,027,226	2,106,133
Bahrain Dinar	506,135	506,135
GBP	4,801,037	1,822,193
Other currency	1,617,564	503,860
	<u>14,536,614</u>	<u>11,567,783</u>

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Investments available for sale include investments pledged to the ultimate parent company amounting to KD 1,690,000. (December 31, 2012 – KD 1,690,000)

## 10. Investment in associates

Investment in associates resulted from acquisition of a subsidiary (Note 3).

Name of subsidiary	Country of incorporation	Ownership percentage %			
		2013	2012	2013	2012
Ajwan Al Khalij Real Estate Company - K.S.C. (Closed)	Kuwait	21.62	-	1,650,764	-
Estidamah Holding Company – K.S.C. (Holding)	Kuwait	22.08	-	174,285	-
				<u>1,825,049</u>	<u>-</u>

The movement during the year was as follows:

	2013	2012
Effect from acquisition of investment in a subsidiary (Note 3)	2,142,178	-
Disposals	(82,519)	-
Group's share of results from associates	(234,610)	-
Balance at the end of the year	<u>1,825,049</u>	<u>-</u>

Summarized financial statements for material associates is as follows:

### Ajwan Al Khalij Real Estate Company - K.S.C. (Closed)

Summarized statement of financial position:

	2013
Assets:	
Current assets	4,895,497
Non-current assets	2,753,875
Total assets	<u>7,649,372</u>
Liabilities:	
Current liabilities	5,965
Non-current liabilities	9,715
Total liabilities	<u>15,680</u>
Net assets	<u>7,633,692</u>

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The following adjustments on financial statements above were done to arrive the carrying value for the Group's share in Ajwan Al Khalij Real Estate Company - K.S.C. (Closed) included in the consolidated financial statements.

	2013
Net assets of the associate	7,633,692
Group's ownership percentage in Ajwan Al Khalij Real Estate Company - K.S.C. (Closed)	21.62%
	1,650,764

Investment in an associate with carrying value of KD 1,650,764 is listed and has a fair value of KD 1,297,482 as of December 31, 2013.

### 11 Accounts payable and other credit balances

	2013	2012
Accrued expenses	95,732	13,048
Accrued sharea'a Zakat	132,011	250,034
Accrued staff leave	88,316	60,730
Accrued staff bonus	254,480	-
Accrued KFAS	13,823	-
Accrued Zakat	15,623	-
Other credit balances	126,449	36,137
	726,434	359,949

### 12. Share capital

The parent company's capital is determined by an amount of KD 25,023,320 distributed among 250,237,320 shares of 100 fils each and all shares are in cash.

Capital increase is not fully subscribed which was determined with amount of KD 10,731,436 as per the Parent Company's General Assembly (Note 21) till the consolidated statement of financial position date. And only subscribed with amount of KD 10,645,297 to make the parent company's paid up capital amounting to KD 24,937,593 distributed among 249,375,930 shares of 100 Fills each and all shares are in cash and fully paid. Therefore, the parent company is in the process to hold an Extraordinary General Assembly to decrease the capital with the unsubscribed shares.

### 13. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Zakat and Kuwait Foundation for the Advancement of Sciences (KFAS) is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

#### 14. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Zakat and KFAS is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

#### 15. Net investment income

	2013	2012
Unrealized gain from investments at fair value through profit or loss	-	3,825
Realized gain from sale of investments at fair value through profit or loss	-	4,166
Realized gain from sale of investments available for sale	575,631	69,577
Dividend income	223,188	156,640
	798,819	234,208

#### 16. General and administrative expenses

During the year ended December 31, 2013, staff costs which are included in general and administrative expenses amounted to KD 1,215,313 (December 31, 2012 – KD 706,873).

#### 17 Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and transfer to statutory reserve.

#### 18. Contribution to Zakat

Contribution to Zakat is calculated at 1% on the consolidated profit of the Company after deducting its share of profit from Kuwaiti shareholding associates subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies subject to the same law in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations

## 19. Earnings (loss) per share

There are no potential dilutive ordinary shares. Earning (loss) per share is computed by dividing net profit (loss) for the year attributable to the Parent Company's shareholders by the weighted average number of outstanding shares during the year as follows:

	2013	2012
Net profit (loss) for the year attributable to the Parent company's shareholders (KD)	1,506,396	(348,924)
Weighted average number of outstanding shares during the year (share)	183,666,903	150,000,000
Earnings (loss) per share attributable to the Parent Company's shareholders (fils)	8.20	(2.33)

## 20. Fiduciary assets

The aggregate value of assets held in a trust or fiduciary capacity by the Parent Company (Items off consolidated statement of financial position) as of December 31, 2013 amounted to KD 38,845,903 (December 31, 2012 – KD 13,926,539 ).

## 21. General Assembly

The Ordinary Shareholder's General Assembly held on May 19, 2013 approved the consolidated financial statements for the year ended December 31, 2012, and also approved the following:

1. Set-off part of the accumulated losses amounting of KD 779,820 out of the total voluntary reserve and statutory reserve amounting to KD 72,116 after which the accumulated losses amounted to KD 707,704.
2. Decrease the company's capital by the amount of the accumulated losses of Kd 707,704 after setting-off the total voluntary reserve and statutory reserve to make the capital reach KD 14,292,296 which is equivalent to 142,922,960 shares from the issued shares.
3. Increase the company's capital from KD 14,292,296 to KD 25,023,732 through a cash increase of KD 10,731,436 by issuance of 107,314,360 new shares for subscription with a par value of 100 Fils per share plus subscription expenses of 1 Fils and waiver of existing shareholders of their right to priority in subscription in the capital increase for the benefit of the shareholders of Al Fouz Investment Company against making Al Fouz Investment Company shareholders who have expressed their intention to sell their shares of Al Fouz Investment Company to Dimah Capital Investment Company by using the proceeds of those sales in the subscription to the capital increase of Dimah Capital Investment Company and to be paid at once, and to authorize the Board of Directors to set the regulations and conditions to call capital and dispose of stock fractures, if any.

The above was registered in the commercial register on June 26, 2013.

The capital increase is not fully subscribed till the date of the consolidated statement of financial position (Note 12)

## 22. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash at banks, investments, receivables, due from ultimate parent company and payables. And as a result, it is exposed to the risks indicated below.

### a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, Wakala investments, receivables, due from ultimate parent company and Murabaha receivables. Cash at banks are placed with high credit rating financial institutions.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, Wakala investments, receivables, due from ultimate parent company and Murabaha receivable.

### b) Liquidity risk

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

The maturity table of financial liabilities is as follows:

	From 1 to 3 months	From 3 months to 1 year	More than 1 year	Total
<b>2013</b>				
Financial liabilities				
Accounts payable and other credit balances	88,316	618,016	20,102	726,434
Total liabilities	88,316	618,016	20,102	726,434
<b>2012</b>				
Financial liabilities				
Accounts payable and other credit balances	-	339,847	20,102	359,949
Total liabilities	-	339,847	20,102	359,949

### c) Market risk

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

#### i) Rate of return risk

According to Islamic Sharia'a interest is not accounted as debit or credit for any translation carried out by the Group.

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ii) Foreign currency risk

Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange and Kuwaiti Dinar.

	Increase / (Decrease) against KD for the year ended December 31, 2013	Effect on consolidated statement of profit or loss for the year ended December 31, 2013	Increase / (Decrease) against KD for the year ended December 31, 2012	Effect on consolidated statement of profit or loss for the year ended December 31, 2012
U S Dollar	±5%	±101,361	±5%	±105,307
Bahrain Dinar	±5%	±25,307	±5%	±25,307
GBP	±5%	± 240,052	±5%	± 91,110
Other currency	±5%	± 80,878	±5%	±25,193

iii) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as at fair value through profit or loss and available for sale arises from the Group's investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31.

	2013		
	Change in equity price %	Effect on consolidated statement of income	Effect on consolidated statement of comprehensive income
Market Indices			
KSE	±5%	±49,620	±16,680
Fund's manager report	±5%	-	±710,150

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Market Indices	Change in equity price %	2012	
		Effect on consolidated statement of income	Effect on consolidated statement of comprehensive income
KSE	±5%	±1,020	±18,377
Fund's manager report	±5%	-	±560,012

d) Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. As of December 31, the fair values of financial instruments approximate their carrying amounts except for unquoted securities available for sale as mentioned in Note (9).

The Group had measured fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

2013	Level 1	Level 2	Total
Assets			
Investments at fair value through profit or loss	972,007	20,400	992,407
Investments available for sale	3,025,628	1,319,252	4,344,880
	<u>3,997,635</u>	<u>1,339,652</u>	<u>5,337,287</u>
2012	Level 1	Level 2	Total
Assets			
Investments at fair value through profit or loss	-	20,400	20,400
Investments available for sale	1,802,878	506,134	2,309,012
	<u>1,802,878</u>	<u>526,534</u>	<u>2,329,412</u>

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

Instruments included in level 1 comprise primarily traded equity investments classified as trading securities or available-for-sale.

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

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

### 23. Capital risk management

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

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

### 24. Contingent liabilities

	2013	2012
Letters of guarantee	20,402	10,201

### 25. Comparative figures

Certain of the prior year amounts have been reclassified to conform with the amount of current year presentation, which has no impact on total equity and the Group's net profit.

