



Annual Report & Financial Statements 2013

تنويه

السادة المساهمين الكرام،،،

يرجى العلم بأنه تم إضافة الفقرات الواردة أدناه بناءً على طلب وزارة التجارة والصناعة علماً بأنه قد تم سابقاً أخذ موافقة هيئة أسواق المال على البيانات المالية 2013 وهذا للعلم.

• كلمة رئيس مجلس الإدارة (صفحة 10): تم إضافة فقرة في آخر مقطع "أهم الأحداث خلال سنة 2013" (صفحة 11) خاصة بمقترح توزيع مكافأة لأعضاء مجلس الإدارة

وبناءً على ما تقدم، أوصى مجلس الإدارة بعدم توزيع أرباح عن السنة المالية المنتهية في 2013/12/31 وكذلك أوصى المجلس بتوزيع مكافأة لأعضاء المجلس بمقدار 12,000 د.ك (فقط اثنا عشر ألف دينار كويتي) نتيجة جهودهم وأعمالهم عن السنة المالية المنتهية في 2013/12/31. وتخضع هذه التوصية لموافقة الجمعية العمومية.

• إيضاح رقم 1 "التأسيس والنشاط" (صفحة 41): تم إضافة كامل أغراض الشركة

إن شركة استراتيكا للاستثمار (ش.م.ك.ع) هي شركة مساهمة كويتية تأسست بالكويت في 1998 وهي تخضع لرقابة بنك الكويت المركزي وهيئة أسواق المال. تم إدراج الشركة في سوق الكويت للأوراق المالية في 3 ديسمبر 2008.

الأغراض التي أسست من أجلها الشركة هي القيام بما يلي:
عمليات الاستثمار المالي في جميع القطاعات الاقتصادية وبكل الوسائل القانونية التي تراها مناسبة لتحقيق أغراضها داخل الكويت وخارجها لحسابها أو لحساب الغير ويتضمن ذلك:

- القيام بعمليات بيع وشراء الأوراق المالية لحساب الشركة وحساب الغير بما لا يتعارض مع أحكام القانون.
- الإقراض والاقتراض وإصدار السندات طبقاً لأحكام القانون وتمويل عمليات التجارة الخارجية.
- القيام بأعمال الوساطة المالية وإدارة الاستثمار لحساب الغير.
- تقديم وإعداد الدراسات والاستشارات الفنية والاقتصادية والتقييمية ودراسة المشاريع المتعلقة بالاستثمار وإعداد الدراسات اللازمة لتلك المؤسسات والشركات (على أن تتوافر الشروط اللازمة في من يزاو لهذا النشاط).
- تأسيس أو الاشتراك في تأسيس الشركات على اختلاف أنواعها وأغراضها وجنسياتها والتعامل في بيع وشراء أسهم هذه الشركات وما تصدره من سندات وحقوق مالية.
- إدارة المحافظ المالية والعقارية لحساب الشركة وللغير واستثمار وتنمية أموال عملائها بتوظيفها في جميع أوجه الاستثمار محلياً أو عالمياً.
- الاستثمار في القطاعات العقارية والصناعية والزراعية وغيرها من القطاعات الاقتصادية وذلك مباشرة أو من خلال المساهمة في تأسيس الشركات المتخصصة أو شراء أسهم أو سندات هذه الشركات في مختلف القطاعات.
- إنشاء وإدارة وتسويق الصناديق الاستثمارية بكافة أنواعها طبقاً للقانون.
- القيام بالأعمال الخاصة بوظائف مديري الإصدار للسندات التي تصدرها الشركات والهيئات ووظائف أمناء الاستثمار.
- التعامل والمتاجرة في سوق القطع الأجنبي وسوق المعادن الثمينة داخل الكويت وخارجها وذلك لحساب الشركة فقط.
- القيام بكافة الخدمات التي تساعد على تطوير وتدعيم قدرة السوق المالية والنقدية في الكويت وذلك كله في حدود القانون وما يصدر عن بنك الكويت المركزي من إجراءات أو تعليمات وذلك من خلال طرح أدوات تداول مالية جديدة أو تقديم خدمات استشارية لإدارة سوق الكويت للأوراق المالية وغيرها من هذه الخدمات.

ويجوز للشركة أن تكون لها مصلحة أو تشترك بأي وجه مع الهيئات التي تزاو أعمالاً شبيهة بأعمالها أو التي قد تعاونها على تحقيق أغراضها في الكويت أو في الخارج ولها أن تشتري هذه الهيئات أو أن تلحقها بها.

يقع مكتب الشركة المسجل في برج النصر، شارع فهد السالم، ص. ب 1346، الكويت.

إن هذه البيانات المالية المجمعة، تتضمن البيانات المالية للشركة وشركاتها التابعة المملوكة بالكامل والمبينة أدناه، ويشار إليهم مجتمعين "بالمجموعة"

إسم الشركة	بلد التأسيس	النشاط	نسبة الملكية (%)
استراتيكا انفيستورز إنك	الولايات المتحدة	مدير ومستشار استثمار	100
ماركي فند مانجرز ليمتد	المملكة المتحدة	مدير استثمار وخدمات استشارية	100
استراتيكا انفيستورز سيرفسز ليمتد	انتيجوا وبرمودا	مدير ومستشار استثمار لصناديق عقارية	100
استراتيكا برايفت إيكوتي ليمتد	جزر كايمان	استثمار	100

لأغراض التجميع، تم الاعتماد على المعلومات المالية المعدة بواسطة إدارات الشركات التابعة. بلغت إجمالي موجودات الشركات التابعة 1,725,819 دينار كويتي كما في 31 ديسمبر 2013 (290,661 دينار كويتي - 31 ديسمبر 2012)، كما بلغت خسائرها 224,508 دينار كويتي خلال السنة المنتهية في 31 ديسمبر 2013 (5,947 دينار كويتي خلال السنة المنتهية في 31 ديسمبر 2012).

تم اعتماد البيانات المالية المجمعة للسنة المنتهية في 31 ديسمبر 2012 من قبل مساهمي الشركة في 8 مايو 2013 وتم اعتماد عدم توزيع أرباح. تم الموافقة على إصدار البيانات المالية المجمعة من قبل مجلس إدارة الشركة في 11 مارس 2014.

• إيضاح رقم 14 "معاملات مع أطراف ذات صلة" (صفحة 53): تم إضافة فقرة خاصة بمقترح توزيع مكافأة لأعضاء مجلس الإدارة

تتمثل الأطراف ذات الصلة في مساهمي الشركة الذين لهم تمثيل في مجلس الإدارة وكبار المساهمين وكذلك الشركات التي يشارك في عضوية مجلس إدارتها أعضاء مجلس إدارة الشركة والشركات الزميلة. في إطار النشاط العادي للمجموعة، تضمنت معاملات المجموعة خلال السنة معاملات مع أطراف ذات صلة، وقد تم إدراج تلك المعاملات ضمن البيانات المالية كما يلي:

المعاملات	2013	2012
رواتب ومزايا أخرى	210,813	191,570
مكافآت نهاية الخدمة	31,839	39,394

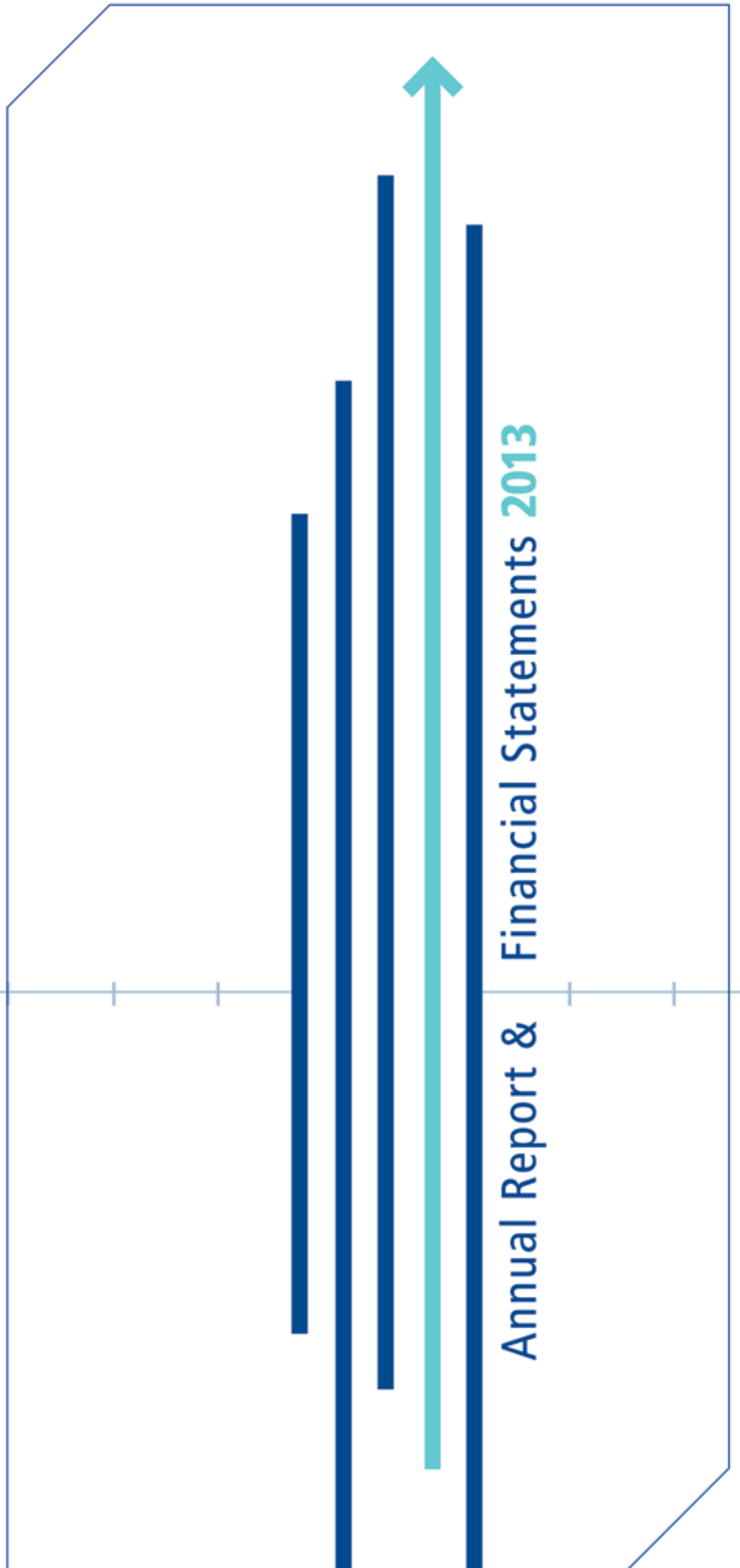
الأرصدة	2013	2012
دانئون وأرصدة دائنة أخرى	162,822	98,666

إن المعاملات مع أطراف ذات صلة تخضع لموافقة الجمعية العمومية للمساهمين.

لاحقاً لتاريخ البيانات المالية المجمعة وتاريخ اعتمادها من قبل الجهات الرقابية، تم اعتماد بنود جدول أعمال الجمعية العمومية لمساهمي الشركة من قبل مجلس الإدارة متضمناً مقترح توزيع مكافأة لأعضاء مجلس الإدارة بمبلغ 12,000 دينار كويتي، إن هذا المقترح خاضع لموافقة المساهمين.

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H.H.Sheikh
Sabah Al Ahmad Al Jaber Al Sabah
Amir of State of Kuwait



H.H.Sheikh
Nawaf Al Ahmad Al Jaber Al Sabah
The Crown Prince of State of Kuwait



H.H.Sheikh
Jaber Mubarak Al Hamad Al Sabah
The Prime Minister



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BOARD OF DIRECTORS



Mr. Mishal Nasser Habib
Chairman & Managing Director



Mr. Ahmed Mohammed Hassan
Vice Chairman



Mr. Hassan Kamal Caedbey
Board Member



Mr. Soud Abdulaziz Al-Mansour
Board Member



Mrs. Amani Ibrahim Al-Omani
Board Member



Mr. Ghazi Ahmed Al-Osaimi
Board Member

Chairman's Message

"And say (unto them): Act! Allah will behold your actions, and (so will) His messenger and the believers"

Dear Valued Shareholders,

It gives me great pleasure, on behalf of my fellow Board Members and the executive team of Strategia Investment Company to present to you Strategia's Annual Report and Financial Statements for the fiscal year ended 31 December 2013.

Strategia has recorded excellent business results, achieving a net profit of **KD 3,362,849**. Thanks to the diligent efforts exerted by the Board of Directors as well as the Strategia's Management. Given the realized profits, the company was able to sweep up the entire accumulated losses of **KD 1,977,568** as at end of the Third Quarter of 2013.

Key Financial Highlights in 2013

Statement	2013	2012	2011
Management fees	243	220	249
Investment income	4,203	434	847
Interest income, and others	80	50	665
Total assets	35,361	13,558	13,507
Total liabilities	3,445	201	250
Shareholders' equity	31,916	13,357	13,258
Retained earnings (losses)	1,219	(1,977)	(1,988)
Net profit	3,363	11	20
Earnings per share (fils)	13.8 fils	0.07 fils	0.13 fils
Share price at the end of the year	77 fils	74 fils	68 fils
Market capitalization	23,100	11,100	10,200
Book value	106 fils	89 fils	88 fils
Return on shareholders' equity (%)	%10.54	%0.08	%0.15

* Figures in thousands

Despite the company's excellent financial indicators and potential future growth opportunities, the company's market capitalization and the share price are still under-valued versus the book value due to the local market conditions and the low levels of trading and liquidity experienced during the previous period. We hope these circumstances will improve in the near future.

Key Events in 2013

The company was able, during the year of 2013, to increase its capital based on the shareholders' desire and the resolution of the Extraordinary General Assembly meeting held on 16/05/2012 subject to the regulatory approvals. As such, the paid up capital has increased from KD 15 million to KD 30 million. I would like to take this opportunity to thank

the team that managed the subscription process, and the valued shareholders for their confidence in the company.

As a result of the capital increase, the company was able during the same year to increase its strategic investments, especially in the Kuwait Financial Centre Company (Markaz); one of the leading companies in the asset management arena in the region. The company managed to acquire a controlling interest of 20.49% of Markaz. This makes Markaz an associate company, and will generate sustainable returns on the long term, particularly in this essential sector, as Markaz is one of the key players and contributes to the development of the sector.

The company has signed a Memorandum of Understanding to acquire a building leased by Yale University in the USA and occupied by the University's hospital for 10 years lease at an average annual return of 7%, for USD 4 million, with the objective to obtain sustainable long-term return regardless of the market fluctuations.

The company has invested, in a Real Estate Investment Trust (REIT) in the United States of America, an amount of USD 2 million in form of preferred shares at annual returns of 7% convertible as per the Trustee's long term plan.

In the asset management business, the company was able to realize returns of 11.50% on the global managed accounts, outperforming the index performance by 7.10%. The company was able to secure such returns to its customers, thanks to the experience of its Kuwait and US asset management team. The company's total assets under management is USD 130 million.

Internally, the company has developed a special program for the employees as per the requirements of the Capital Markets Authority (CMA) and the Central Bank of Kuwait (CBK) on anti-money laundering. Further, it has supported the board resolutions to establish committees in line with the rules of corporate governance applicable to the institutions regulated by the CMA.

Overview on the Kuwaiti Economy in 2013

Despite the earnings of the Kuwait Stock Market during the previous year, the year of 2013 was not in favor of the national economy in general. This was attributable to the adoption of the previous year's economic policies; i.e., limited number of mega projects, weak capital expenditure, and unsolved issues caused by the global financial turmoil that had broken out more than 4 years ago as the Kuwaiti economy is still suffering the repercussions of such crises. These issues led to a remarkable deterioration in the national economy on both the Gulf and the global levels. All forecasts have indicated an economic downswing in Kuwait during 2013, i.e., an economic growth of 1.1% compared to a growth of 5.1% in 2012, which is considered the lowest rate among GCC States. Similarly, the growth in Consumer Price Index (CPI) remained down during 2013, reaching 2.7% on average (from January to December) despite the inflationary pressures arising from the high rents, as such increase was encountered by a decrease in inflation rate in foodstuff prices. On another front, the annual growth rate of the Money Supply (M2) reached 10% on average during the first ten months of 2013, increasing from 7% in 2012, while the Money Supply (M1) increased robustly despite being more volatile, as a result of decreased interest rates. (ref. 1,2,3 - Page 61)

KSE Performance in 2013

Kuwait Stock Exchange (KSE) closed the year with relatively good earnings for its three indices, namely the Price Index which has benefited from price speculations that had prevailed throughout the year, and the short term trading conducted by certain investors especially on small and mid-cap shares. However, long term investment trading has decreased as investors believed that the shares would plummet on the long term in light of the conditions of the local economy. KSE's overall performance during the year of 2013 featured an exceptional behavior, as the KSE's final earnings were the outcome of the first five months of 2013, when the returns of both the Price and Weighted Indices reached 40% and 14% respectively, while such rates fell down at the end of the year, reaching 27% and 8% respectively. This means that the indices lost around 40% of their returns during the remaining seven months of the year on the contrary of key stock markets in the region which have recorded remarkable performance. This is despite the fact that oil prices have been stable above the USD 100 barrier during the same period. This indicates that the market's performance has not been affected favorably by the surpluses of the trading balance. The liquidity traded in KSE during the year reached KD 1.48 billion. The Kuwait 15 Index constituents stood for around 4.7 billion shares out of the 127.17 billion shares that have been traded during 2013. The trading volume of the financial services (investment) and

real estate sectors comprised around 60% of the year's trading, while the banking sector, which had ranked first during 2011 at 35% of the trading volume, has ranked third at 18% of the trading volume in 2013.

The Political Scene

During 2013, the political scene was full of sensitive events that had an indirect impact on the market's performance. Chief among such events was the dissolution of the former Parliament in June by virtue of the constitutional court's judgment rejecting the election challenge and confirming the "One Man One Vote" decree. The court's judgment was followed by relief among related parties just one month before the election of a new Parliament. Additionally, the judgment was followed by the resignation of the government, and by requesting H.H. the Prime Minister to form a new government. However, the end of 2013 witnessed the resignation of the newly formed government, and the issuance of the constitutional court's judgment retaining the existing Parliament, which have created an optimistic atmosphere among market sectors, and reflected positively on the market's performance. This is expected to guarantee political stability within the Country, hoping that both the legislative and executive authorities cooperate to revive the development projects which have been inactive for long time.

Oil Prices

The average price per Kuwaiti oil barrel during 2013 reached around USD 104.7, compared to an average of USD 108.6 during 2012, i.e., a decrease of 3.6%. Oil price per barrel reached its maximum level during February, i.e., USD 111.6, and fell to the lowest level in June, i.e., USD 99.8.

Outlook

Strategia has developed a five year strategy and investment plan to be approved by the Company's Board of Directors during the First Quarter of 2014. Upon approval, the executive team will implement the same so that the Company will be able to achieve its objectives as well as the targeted results at the lowest level of risk.

Our team expects that our investments will be backed-up in the near future by means of suitable and strong investment opportunities of added value on the long term as well as balanced returns that can achieve sustainable growth in shareholders' equity in view of a local economy that marks financial strength and high ratings despite the region's geo-political challenges.

Thanks and Gratitude

On behalf of the Board Members, I would like to express my sincere thanks and gratitude to H.H. Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, the Amir of Kuwait; H.H. Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince of Kuwait; H.H. Sheikh Jaber Al-Mubarak Al-Sabah, the Prime Minister; H.E. Saleh Mubarak Al Falah, Chairman of Capital Market Authority; and H.E. Mohammad Yousef Al-Hashel, Governor of the Central Bank of Kuwait, asking God, to safeguard them all and bless their continuous endeavors and support aimed at achieving prosperity and progress for our country's economy on local and global level.

I would also like to take this opportunity to thank our revered shareholders for their confidence in Strategia and usual support of its operations under all circumstances, with a view to make Strategia one of the leading investment companies locally and globally. In addition, I extend my thanks and gratitude to the company's staff members for their dedication and efforts during the year to achieve the company's business plans.



Mishal Nasser Habib
Chairman & Managing Director

Governance & Transparency Report

Strategia Investment Company K.S.C.P

As of 31 December 2013

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1. Application of Corporate Governance Rules and Standards

Governance Rules and Corporate Discipline Standards enhance the levels of confidence in our ability to honor our commitment towards efficiency, and generate returns that contribute to the development of the Kuwait economy.

1.1 Introduction

In Strategia, we take pride in the adoption of the highest standards and best practices in line with the provisions of the Kuwait legislations on Governance, the Companies Law, the laws issued by the Capital Markets Authority (CMA), and the relevant instructions of the Central Bank of Kuwait (CBK).

Indeed, we follow international best practices, and affirm our compliance with CMA's resolution No. 25 of 2013 regarding the Governance Rules and Corporate Discipline Standards set forth in our board approved Governance Manual.

Governance rules and standards aim to properly manage the company's organizational structure as well as the applicable policies and procedures so that the company's activities are in line with the rules issued by CMA, CBK, and other regulatory bodies, and in alignment with international best practices. This is meant to achieve efficiency in business, with added value to all shareholders and stakeholders, i.e., human resources, customers, partners, investors, and realize the returns that would contribute to the development of Kuwait economy.

1.2 Overview of Corporate Governance

Strategia abides by the corporate governance rules stipulated in CMA's resolution No. 25 of 2013, and corporate discipline standards set forth in the Corporate Governance Manual covering the duties and responsibilities of the Chairman, the CEO (Managing Director). The governance rules do not allow the Chairman to assume the responsibilities of the same company's CEO. Additionally, duties and responsibilities of the Board of Directors were specified including the Company's internal control system and assurance of its effectiveness. The Governance Manual of 2013 covered the board performance assessment policy, external auditor appointment policy, as well as disclosure and communication with shareholders policy. All these policies were developed to help us adhere to the highest standards.

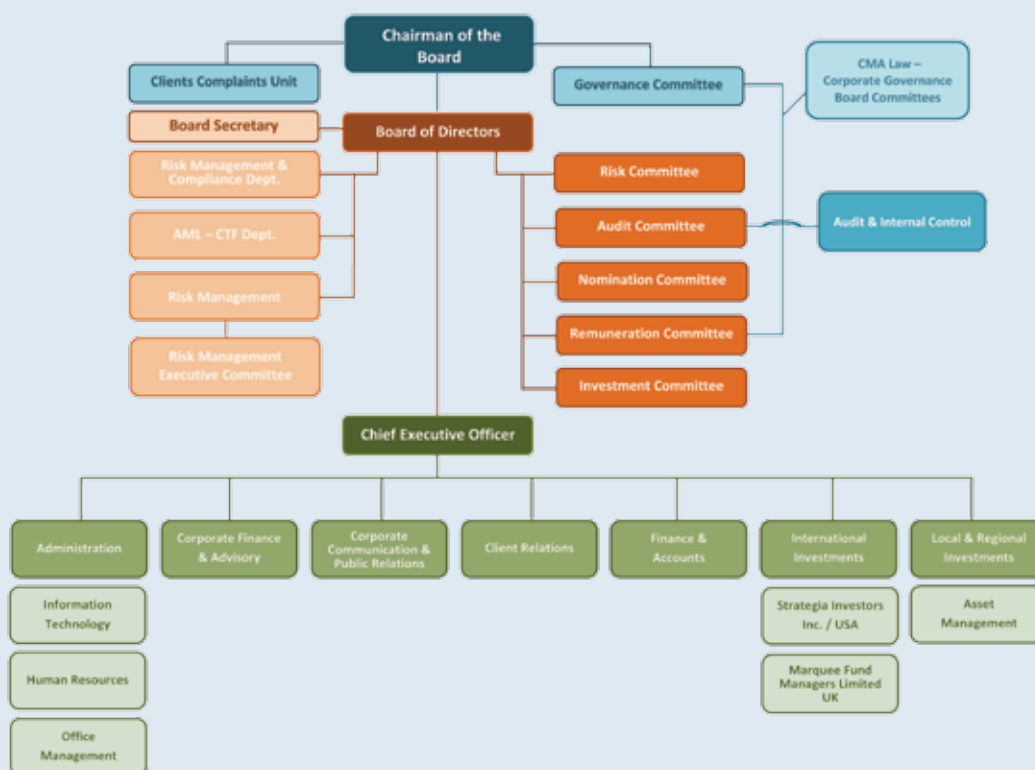
We have taken positive actions in terms of corporate governance, as we have launched a Governance Portal on the company's website, including the annual governance report, the board structure, information on the founder shareholders, and synopsis on all governance policies applicable in the company. In light of our keenness to apply the highest standards of transparency and disclosure, the board of directors communicates with the shareholders, inside or outside Kuwait, via the corporate governance related email address in a way that complies with the practices of the board of directors, executive management and employees.

The governance Manual includes policies and rules which are based on transparency and responsibility, and emphasizes compliance with the highest standards of behavioral, professional and ethical discipline. It includes the following:

1. Corporate social responsibility policy which indicates our commitment to contribute to the development of the living quality of the company's employees which will reflect positively on the society.
2. Policy of profit distribution on shareholders, which seeks to achieve sustainable value for shareholders.
3. Code of conduct and a statement of the general principles that need to be complied with by the employees, the executive management, and the board of directors.
4. Share trading policy.
5. Related parties' transactions policy which specifies the acceptance requirements of transactions that involve the company and the related parties.
6. Whistleblowing policy.
7. Board of directors' assessment policy is one of the latest governance policies applied the world over. It determines the efficiency and experience levels of the board of directors, as well as the board's flexibility in tackling any potential economic challenges.
8. The shareholders' disclosure and communication policy indicated in paragraph 9 below.
9. External auditor appointment policy, referred to in paragraph 7.2.
10. Board advisors' appointment policy; to provide advisory services to the board members and support the board's resolutions in order to achieve value for shareholders.

Governance & Transparency Report Strategia Investment Company K.S.C.P

1.3 Governance Organization Chart in Strategia



2. Shares Dealing

2.1 Shares dealing policy

Shares dealing policy applies to the board members as well as the member of the executive team, employees of the company and subsidiaries and the alike. In addition, this policy is communicated to any third party who may have access (owing to a contractual relationship with the company, or a personal relationship with any of the company's staff members) to sensitive information related to the share price.

Objectives of the shares dealing policy:

- Ensure that the board members and the member of the executive team, employees of the company and the alike are aware of the fact that they are not allowed to deal in the shares of the company, directly, indirectly or through third parties by disclosing sensitive and non-public share price related information to them, like:
 - Annual, semi-annual and quarterly reports.
 - Information on the company's forecasts and trading potentials.
 - Disclosure of the dividends proposed by the board of directors, or any changes to the company's dividends policy.
 - Expansion plans, including access to new markets or establishment of investment portfolios and funds.
 - Strategic alliances or any proposed mergers or acquisitions.
 - Company's restructuring programs
 - Essential changes to the company's nature of business.
 - Disposal of any of the company's shares by a key shareholder.
 - Changes to the board structure.
 - Regulatory approvals and licenses.
 - Any potential dispute that might constitute a critical lawsuit.

Governance & Transparency Report Strategia Investment Company K.S.C.P

- b- Set up a framework for employees to follow for dealing in shares.
- c- Highlight the consequences of non-compliance with such policy.

2.2 Prohibition of dealing in shares

The members of the board as well as the executive team and the employees are not allowed to deal, directly or indirectly, in the company's shares during the prohibition periods.

- a. The prohibition period is fifteen (15) days before end of the annual, semi-annual and quarterly fiscal periods, and continues until the interim financial statements are officially disclosed for the capital market and CMA. As for the annual financial statements, their prohibition period continues until such statements are approved by the general assembly.
- b. Dealing in the company's shares at any point of time requires official approval by:
 - Chairman of the audit committee for the board members and the CEO.
 - Chairman of the board for the chairman of the audit committee, and the CEO for the company's employees.
- c. Members of the board and the executive team as well as the employees are not allowed to deal in the company's shares unless written approvals are obtained from the competent individuals as mentioned above. Additionally, board members must inform the company's Board Secretary, on annual basis, of the number of the shares they possess. The Audit Committee shall be responsible for reviewing "Shares Dealing Policy" and recommending any required amendments.

3. Shareholders who own 5% or more from the company shares as per shareholders list dated 31/12/2013

Shareholders	Number of Shares	Ownership
Privatization Holding Company	75,327,114	25.109%
International Projects Holding Company	21,440,000	7.147%
National Industries Group Holding	19,277,278	6.426%

4. The Company's Board of Directors

Our organizational governance is clearly evident from the principles of conduct and compliance imposed by the Board of Directors in line with the international standards.

4.1 Composition

According to the Corporate Governance Manual, the board of directors is formed of six members; of which two independent members, one independent executive member, and one independent non-executive member, which is in line with the provisions of CMA's Resolution No. 25 of 2013 on the Governance Rules and Corporate Discipline Standards.

Governance & Transparency Report Strategia Investment Company K.S.C.P

Board of Directors is consisting of six members' executive and independent. Their names are as follow:

	Name	Date of 1st appointment / Election	Designation in the Board of Directors	Committees Membership	Representative of	Educational Qualifications
	Mishal Nasser Habib	27/1/2011	Chairman & Managing Director	Investment Committee	Independent / Executive	BA in Accounting/ Kuwait University- 1996 Computer science Diploma- Commercial Institute "Public Authority for Applied Sciences" 1992
	Ahmed Mohamed Hasan	27/1/2011	Vice Chairman	Audit Committee	Combined Trust Real Estate Company	BA in accounting Ain Shams University- Egypt-1969
	Amani Ebrahim Al-Omani	27/1/2011	Board Member	Investment Committee	First Equilease for Equipment & Transportation Company	BA in Accounting– Kuwait University- 1994
	Ghazi Ahmed Al-Osaimi	27/1/2011	Board Member	Audit Committee	Global Profession General Trading Company	BA in Business Administration – Finance/ Gulf University for Science and Technology 2006
	Hassan Kamal Caedbey	27/1/2011	Board Member	Investment Committee	Commercial Global Projects Company	BA in Business Administration- Saint Louis University- USA
	Soud Abdulaziz Al-Mansour	27/1/2011	Board Member	Audit Committee	Independent	BA in Business Administration & Finance- California - USA- 2000

4.2 Board Committees

The Company's Board of Directors has formed three main committees with specific responsibilities and authorities to handle their respective aspects of business or make certain recommendations to the Board of Directors for proper action. Each committee is formed of a chairman and two members or more from the board. A board committee convenes at least four times annually.

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Below are the main board committees:

First: Audit Committee

The Audit Committee monitors the appointment of the external auditor, maintains good relationships with the auditors, reviews the financial reports on regular basis, and oversees and manages the internal control and risk management. The Audit Committee plays an effective role to ensure the Company's application of the legal and regulatory requirements, including the performance of the Internal Control and Internal Audit Department.

a. Duties of the Committee

Duties and responsibilities of the Audit Committee can be summarized as follows:

- Provide recommendations on the appointment of the external auditors, and monitors their independency and objectiveness.
- Review and submit reports to the Board on the annual and quarterly financial statements.
- Review the Company's financial applications, manage the internal control and risk management activities.
- Review and submit reports to the Board on the accounting and financial policies as well as their practices.
- Review and submit reports to the Board on the effectiveness of the Internal Control Department.
- Review and approve the annual plan of the internal control.
- Ensure adherence to the external auditor's appointment policy.
- Follow up on any other issues assigned by the Board to the Audit Committee.

b. Authorities of the Committee

The Audit Committee has Board assigned authorities to study any activity which falls within the remit of the committee. It is unconditionally authorized to access any external auditor and obtain any professional advice on any issue relevant to the company's accounts. Additionally, it has the right to request any information from any employee or board member. Employees and board members are all advised to cooperate with the committee.

Second: Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to set the executive management's remuneration and wages policy, and to determine their compensations. It also determines the total compensations of each member of the board as well as the executive team, if any, including salaries, remunerations, pension, and incentives.

a. Duties of the Committee

- Support and advise the board members in terms of setting the salary and benefits structure of the company's employees.
- Develop an annual report detailing the remunerations and compensations paid to the board members and the senior executives, to be included in the Company's Annual Report as per the Corporate Governance Regulations issued by the CMA.
- Monitor and provide advice to the board on the preparation of the policies and plans that organize the Company's compensation schemes.
- Perform the other duties and responsibilities set forth in the Corporate Governance Regulations issued by CMA.
- Set clear policies on the compensations and remunerations of the board members and the senior executives, bearing in mind the performance related standards.

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- Provide recommendations on board membership by nominating two members able to support the board in managing and directing the company's affairs effectively as per the approved policies and standards.
- Perform an annual review of the required skills for the board, and receive applications from applicants for executive vacancies. Such review include, but not limited to, the following:
 - Ensure having in place an induction program on the company's activities for the new board members.
 - Recommend the appointment of the company's executive management (i.e., the CEO and his/her deputies, risk and compliance manager, anti-money laundering officer and the financial manager).
- Perform any other duties or responsibilities assigned from time to time by the Board to the committee.

b. Authorities of the Committee

If the committee establishes that one of its members is no longer independent, it raises the issue to the board of directors. The board in turn will notify that member by means of a registered mail to his/her address, maintained by the company, of the reasons why he/she is no longer independent. The member shall have fifteen (15) days, from the date notified, to respond. At the board's first meeting following the member's response or lapse of the set period without response from the member, the board will determine whether or not such member is independent.

In the event where the member's new status is not affecting the minimum limit of the independent board members, then this should be taken into account during formation of committees.

Third: Investment Committee

The Investment Committee's role is to review and approve the Company's primary and secondary investment activities. It is formed of Mr. Mishal Habib as a chairman, as well as Mrs. Amani Al Omani, and Mr. Hassan Caedbey as members.

a. Duties of the Committee

- Review all proposed opportunities for financial and strategic investment.
- Review and approve quarterly investment and financial reports, as well as any other reports presented by "Investment Department".
- Review any proposed investment, credit facilities, or treasury deals in order to approve, decline, amend or conditionally approve the same as per the applicable policy.
- Review and approve any amendments to the "Investment Policy" presented by the "Investment Department", for submission to the Board of Directors for approval.
- Review and approve any amendments to the "Assets Distribution Policy" presented by the "Investment Department", for submission to the Board of Directors for approval.
- Review and approve any accidental or relevant issue raised by any member of the Committee.
- The Investment Committee complies with the instructions of the CMA, CBK, Kuwait Stock Exchange (KSE) and any other regulatory body.
- Review investment proposals presented by the "Investment Department", and approve the same as per the authorities granted to committee.
- Board members may at any time request the committee to provide a special report and/or presentation on any issue, suggestion or specific proposal. In addition, the committee takes any action it deems suitable for any issue, proposal, or suggestion presented by related parties.
- The committee performs its above mentioned duties by any available method, provided that such method is approved by all members of the committee.

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- The committee provides a signed copy of its minutes of meeting to the Board at the first board meeting following a committee meeting.

Fourth: Risk Committee

The Risk Committee is formed of at least three non-executive independent board members with academic qualifications and/or practical financial experience. The committee convenes four times at least annually, when necessary, or at the request of the committee's chairmen or member.

a. Duties of the Committee

- Identify the actual risks and weaknesses in the Company.
- Assist the board in determining the company's risk appetite for any certain project or proposal.
- Explore and identify the level of risks to which the company is exposed.
- Monitor the effectiveness of the risk management activities in the company, and ensure having in place infrastructure, resources and applicable systems adequate to maintain a satisfactory level of compliance.
- Ensure independency of risk management activities in all departments of the Company.
- Review the strategies, policies, frameworks, forms and procedures used for identifying, measuring, reporting and mitigating any material risks.
- Explore the internal audit's observations impacting risk management framework.
- Ensure that the company's employees are aware of the concept of risk.
- Explore all risks on behalf of the Board of Directors.
- Review semi-annual reports issued for CMA.
- Review the reports of internal risks, prepared by Risk Department Manager.
- Irrespective of the Risk Committee's responsibility for monitoring the adequacy of the company's internal controls and risk systems, the ultimate responsibility for the same lies with the Board of Directors and the executive management.

Fifth: Governance Committee

The Governance Committee is formed of at least three board members, and chaired by the Chairman of the Board, while one of its members is an independent member of the audit committee. Members should possess academic qualifications and/or practical financial experience. The committee convenes at least twice a year, whenever necessary or at the request of the committee's chairman or member.

a. Significant of Governance

The Corporate Governance rules and standards issued by CMA and CBK seek to ensure that the boards of directors of KSE-listed shareholding companies adhere to the best practices of modern governance, which safeguards the rights of shareholders and related stakeholders.

b. Duties of the Committee

- Assist the company to have a sound work environment in order to perform better under good management.
- Protect shareholder's equity as well as investments against loss arising from misuse of administrative authorities for purposes other than in the best interest of investors, and maximizing returns of investment and shareholders' equity.

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- Increase the level of disclosure and transparency, and engage shareholders in the process of taking key decisions relevant to the company's management, so that they are aware of everything relevant to their investments.
- Build enduring relationship among the company's management, the employees as well as the stakeholders. Indeed, sound governance enhances the confidence level of all involved parties, and urges them to take part in improving the company's performance and achieving its strategic goals.
- Organize the relations between the Board and the board committees, and set the roles and responsibilities of Audit, Nominations & Remunerations, and Risk Committees.
- Organize ordinary and extraordinary general assembly meetings held by the company and ensure completeness of their procedures as per the governance manual.
- Review the company's Governance structure, and amend it if necessary in line with the instructions issued by the regulatory bodies.
- Review quarterly governance reports, and ensure adequacy of the governance applicable procedures.
- Spread the culture of governance among board members, executive team and employees.
- Irrespective of the Governance Committee's responsibility for the company's governance systems, the ultimate responsibility for the same lies with the Board of Directors and the executive management.

Disclosure of Board Members' Transactions:

Below are the dealings in the company's shares, conducted by the board members and their first degree relatives:

Member	Relation	Total sale (of shares)	Total purchase (of shares)
None	None	None	None

- Board members and their first degree relatives did not conduct any dealings in the company's shares during 2013.
- We seek to develop the performance of our services, and be more transparent in all our dealings with shareholders and investors.

4.3 Board Meetings

Board convenes upon presence of the majority of its members. During 2013, the board convened 12 times, Audit Committee convened 4 times, while the Investment Committee convened 5 times.

Note:

Risk, Nomination & Remuneration, and Governance Committees were established at the end of 2013 and have not convened yet. Board is keen to form such committees to assume their responsibilities efficiently and effectively after the general assembly meeting of 2013.

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The dates of Board Meetings are as follows:

#	Meeting Number	Date
1	Board Meeting # 65	13/01/2013
2	Board Meeting # 66	06/02/2013
3	Board Meeting # 67	21/02/2013
4	Board Meeting # 68	20/03/2013
5	Board Meeting # 69	24/03/2013
6	Board Meeting # 70	15/05/2013
7	Board Meeting # 71	02/06/2013
8	Board Meeting # 72	14/08/2013
9	Board Meeting # 73	09/09/2013
10	Board Meeting # 74	11/11/2013
11	Board Meeting # 75	03/12/2013
12	Board Meeting # 76	19/12/2013

The dates of Audit Committee Meetings are as follows:

#	Meeting Number	Date
1	Audit Committee Meeting # 1	10/02/2013
2	Audit Committee Meeting # 2	05/09/2013
3	Audit Committee Meeting # 3	17/09/2013
4	Audit Committee Meeting # 4	10/11/2013

The dates of Investment Committee Meetings are as follows:

#	Meeting Number	Date
1	Investment Committee Meeting # 1	20/01/2013
2	Investment Committee Meeting # 2	05/02/2013
3	Investment Committee Meeting # 3	25/03/2013
4	Investment Committee Meeting # 4	02/09/2013
5	Investment Committee Meeting # 5	25/11/2013

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Board Meetings Attendance Table in 2013

Board Members	Board Meetings		Audit Committee Meetings		Investment Committee Meetings	
	No. of Meetings 12		No. of Meetings 4		No. of Meetings 5	
	Attendance	Membership Type	Attendance	Membership Type	Attendance	Membership Type
Mishal Nasser Habib	12	C**	-	-	5	C**
Ahmed Mohamed Hasan	12	VC	4	M	-	-
Amani Ebrahim Al-Omani	10	M	-	-	4	M
Ghazi Ahmed Al-Osaimi	11	M	4	C	-	-
Hassan Kamal Caedbey	10	M	-	-	5	M
Soud AbdulAziz Al-Mansour	8	M*	4	M*	-	-

Note: C = Chairman / VC = Vice Chairman / M = Member / ** = Independent & Executive / * = Independent

Ordinary General Assembly

Strategia's General Assembly Meeting was held on 8 May 2013 at the premises of Ministry of Commerce and Industry, Kuwait City, and the following was decided:

- Ratification of the board's report on the company's activity and financial position for the fiscal year ended on 31/12/2012.
- Reading out the (financial or non-financial) penalties imposed by the regulatory bodies on the company for the fiscal year ended on 31/12/2012; (**NONE**).
- Ratification of the auditor's report for the fiscal year ended on 31/12/2012.
- Ratification of the company's balance sheet, as well as profit and loss account for the fiscal year ended on 31/12/2012.
- Approval of the board's suggestion not to make any profit distributions for the fiscal year ended on 31/12/2012, and to forward the profits to the shareholders' equity.
- Clearing The Board of Directors and the auditor from liabilities toward the company for the fiscal year ended on 31/12/2012.
- Approving the board members' remunerations.
- Authorizing the board to deal with the related parties based on the same terms and conditions of dealing with third parties.
- Reappointing the external auditors for 2013 and specifying their fees.

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The Company has published the financial information relevant to the general assembly on the company's website; www.strategia.com.kw, on 8/5/2013.

4.4 Board Members' Remuneration

Board members' remuneration proposal has been presented to the board for approval and submission to the shareholders at the general assembly for voting.

The ordinary general assembly of 2013 has approved the board members' remuneration at KD 6000 distributed to the board members as fees for the fiscal year ended on 31/12/2012.

4.5 Delegation and Authorities of the Executive Management

The board of directors is keen to support and guide the executive management with a view to achieve the company's strategy clearly and transparently under the umbrella of corporate governance.

a) Matters Retained for the Board

According to the instructions of all regulatory bodies, and CMA's resolution **No. 25 of 2013 regarding the issuance of Corporate Governance Rules** and Corporate Discipline Standards, the board of directors may delegate certain matters, retained for the board, for the board committees of executive management.

If necessary, the executive management is delegated according to general or specific delegations, with clear instructions on the authorities of the executive management.

Matters retained for the board are summarized as follows:

1. Review and approve the company's annual budget and strategy.
2. Board membership.
3. Total salaries and remunerations of the executive management.
4. The company's capital structure.
5. Financial reports and controls.
6. Internal control.
7. General risks.
8. Approve the contracts and expenditures (which exceed the authority limit of the executive management) as per the applicable policy.
9. Approve the company's governance policy.
10. Review and approve the general policies.

4.6 Performance Evaluation of the Board and the Board Committees

- Based on its keenness to enhance its performance, improve the effectiveness of its resolutions, and add value to the shareholders, the board has decided to evaluate its performance and that of the board committees by end of 2014. As such, the board members will complete a special performance evaluation questionnaire. The questionnaire will cover the effectiveness of the chairman and the CEO, the operating performance, corporate governance as well as the leadership and culture.
- The board has also decided to set a road map to rectify any gap during 2014, which will contribute to the enhancement of the board's performance and efficiency. In addition, the board is committed to enhance its performance and efficiency, and to create corporate values for the company and shareholders.

5. Executive Management

- The Company's executive management handles the day to day activities. It is headed by the Managing Director who is responsible, towards the board of directors, for the company's operating management, development, recommendations, as well as the application of strategies, policies and internal control framework.

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5.1 Executive Management

Name	Positions	Qualifications & Experiences
Mr. Mishal Nasser Habib 	<p>Mr. Mishal has joined Strategia since March 2011. He has appointed as Managing Director by the Board of Director to manage the Company daily business. He has succeeded to highlight his effective role in the company's growth plans moving forward</p>	<p>Mr. Habib holds a Diploma in Computer Science and Bachelor in Accounting from Kuwait University. He has also completed the Intensive Credit Program in 1998 and the Harvard Executive Program for Leadership Development in 2007. From 2000 till now, Mr. Habib serves as a Guest Speaker in the Institute of Banking Studies for Credit Certificate Program (Marketing Module). His experience in the field of investments and financial services is more than 18 years</p>
Mr. Vijay Kulkarni 	<p>Mr. Vijay has joined Strategia Investment Company since May 2012 as a risk consultant for the executive team</p>	<p>He has got master in Business Administration and finance from one of the greatest school in India. He has an extensive experience up to 38 years in executive and risk management in many of Kuwaiti and Indian banks. He also has many other academic certificates</p>
Mr. Harry Milne 	<p>Mr. Harry has joined Strategia Investors Inc. since 2007 as a consultant</p>	<p>Member of the global real estate consultancy group (CRE). He has 25 years of experience in the field of investment in real estate, fixed income and equity</p>
Mr. Ahmed Sobhy 	<p>Mr. Ahmed Has joined Strategia since 2012 as chief financial officer. He is responsible for monitoring all financial operations, financial planning and records. He also responsible for applying financial reports to top management</p>	<p>He got Bachelor in Accounting from Cairo University in 1995 and CMA in 2004 and many other certified courses and certificates in financial sciences, financial analysis, internal audit and accounting</p>
Mr. Essam Al-Yousef 	<p>Mr. Essam has joined Strategia Company since July 2009 as Chief of Risk Management & Compliance Officer. He is also responsible for Anti Money Laundering, fighting financing terrorism and corporate governance to ensure the company's compliance to the highest standards in the risk management field</p>	<p>He got Bachelor in Accounting from Al-Balqa University- Jordan- in 1993, in addition to CPA, CCAML from Henly London, numerous training courses in the area of Finance, Risk Management, and Business Administration</p>
Mr. AbdulAziz Al-Jassem 	<p>Mr. AbdulAziz has joined Strategia since Nov. 2007 as Senior Vice President – Business Development. He is responsible for international real estate assets management as well</p>	<p>He holds Bachelors of Science in Business Administration (BSBA) from Sufflok University (U.S.A). He has more than 10 years extensive experience in international investments</p>
Mr. Raed Al-Sadhan 	<p>Mr. Raed has joined Strategia in 2006; he started as a Vice President in the Administration & HR Division and was promoted as a Senior Vice President in January 2011. He manages all activities related to Human Resources, Information Systems Management and all ongoing administrative issues of the Company</p>	<p>Mr. Raed Al-Sadhan graduated from Helwan University (Egypt) in 1996 with Bachelor in Business Administration</p>
Mr. Burhan Kamali 	<p>Mr. Burhan Kamali joined Strategia Investment Company in January 2011 as a Senior Investment Analyst and was promoted as a Vice President – International Investments Department in November 2012. In his role, he analyzes and evaluates the various investment opportunities as needed by the clients and strengthen the products platform offered by the company</p>	<p>Mr. Burhan received his Bachelor of Arts Degree, majoring in Banking and Financial Management from Applied Science University in Jordan in 2004. He got his CFA charter in 2012</p>
Mr. Fahad Al-Osaimi 	<p>Mr. Fahad has joined Strategia in October 2013 as a Vice President / Local & Regional Investments Division</p>	<p>Mr. Fahad received his Bachelor in Accounting from the College of Business Administration - Kuwait University in 2004, in addition to many training courses in the field of financial analysis and investment and CIM. He also has extensive experience in the Local & Regional markets and in the field of analysis and trading</p>

5.2 Total Remunerations Paid to the Executive Management in 2013

Employees	No. of Employees	Fixed bonuses Thousand KWD	Variable Bonus Thousand KWD		Total Thousand KWD
			Cash	Shares	
Senior Management	7	61,633	-	-	61,633

* It is important to note that the remunerations and incentives relevant to the company's performance are calculated according to the individual performance evaluation mechanism within a general framework approved by the board of directors. Such evaluation is being performed and approved for all members of the executive management.

6. Transactions of Related Parties

Transactions of related parties are subject to the board approval

Related parties include our shareholders, board members, key administrative officers, as well as the companies with great influence on our company. Related parties' transactions are completed pursuant to the relevant terms and conditions approved by the company's Executive Management or Board of Directors.

7. External Auditor

7.1 General Information

Deloitte & Touche Al Fahad Al-Wazzan & Co

Auditors' register No. 62, Category A

"Deloitte & Touche" is a trademark dealing with dozens of thousands of the professionals in independent companies around the globe, offering services like audit, advisory, financial advisory, corporate risks, and tax for certain customers.

Horwath Al Muhanna & Co

Auditors' register No. 152, Category A

"Horwath Al Muhanna" is a leading company established in 1978 and offers a spectrum of professional services including accounting, taxation and advisory. Its customers vary from commercial companies to big companies and institutions.

7.2 External Auditor's Appointment Policy

We have updated the Governance Manual with the External Auditor's Appointment Policy to organize the appointment of external auditors. Such policy defines the external auditor's framework, scope, and authorities, with emphasis on allowing external auditors to perform their assignments freely and independently.

The general assembly meeting held on 8 May 2013 approved the reappointment of Deloitte & Touche - Badr Al Wazzan, as the first auditor of the company, and Horwath Al Muhanna - Rabea Saad Al Muhanna, as the second auditor of the company for 2013, against fees of KD 10,000. No other external auditor has been engaged to provide any sort of financial statements auditing during 2013. Additionally, external auditors are not required to handle any internal control related issue, whereas the company's internal control tasks have been assigned to Grant Thornton, as per the internal audit plan approved by the Audit Committee and the Board of Directors.

In line with the disclosure and transparency provisions issued by the CMA, CBK as well as other regulatory bodies, the company's financial statements for the fiscal year ended on 31/12/2013 have been prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB), with a view to increase the level of the board's transparency and compliance, and to provide the shareholders and public with financial statements reflecting the company's real financial condition.

7.3 Relationship with the External Auditor

The Audit Committee oversees the external auditor's appointment policy, and maintains good relationships with the auditors. The company's relationship with the auditors is determined through the following duties of the Audit Committee:

- Approve the external auditor's appointment policy and present the same to the board of directors.
- Study the recommendations to be presented to the shareholders on the appointment, reappointment, or removal of the company's external auditor, and submit the same to the board for approval in the annual general assembly meeting.
- Monitor the external auditor's independency and objectiveness, and discuss its nature and scope and efficiency of work as per IFRS.
- Explore any suggestion to appoint an external auditor to provide services, other than Accounts Auditing, to the company or subsidiaries, and ensure adherence to the schedules as per the corporate governance law.
- Foster a suitable environment for cooperation between the external and internal auditors.

The Audit Committee must consider the following when appointing an external auditor:

- Appointment of one external auditor or more for one year renewable by the general assembly.
- The Company's external auditor must be enlisted in the Accountants and Auditors Register as per CMA and CBK Executive Regulation organizing the profession of accounting and auditing.
- According to the governance rules, CMA's Executive Regulations, and the instructions of other regulatory bodies, the external auditor should not be party to any agreement, or agent for any of the company's founder members, board members or any of their relatives to the fourth degree of relationship.
- Selection of an external auditor depends on the efficiency, reputation and experience of the external auditor. In the event where the board of directors or the general assembly does not accept the Audit Committee's recommendations regarding the selection, appointment, resignation, or removal of the external auditor, the board of directors must include, in the company's governance report, a statement of such recommendations and the reasons for refusal.

8. Internal Control

8.1 Internal Control System

Our board of directors is responsible for monitoring and reviewing the effectiveness of the internal control, by protecting the assets, maintaining sound financial statements, and revealing errors and violations. The board of directors is committed to review the Audit Committee's report on the internal control activities and periodic reports.

Internal Control involves setting a clear organizational structure, documentation of policies and guidelines, and identification of authorities, delegations and performance control mechanisms set to monitor the company's operations effectively and regularly, and to ensure compliance with the corporate governance rules issued by the regulatory bodies.

8.1.1 The Board's Role in Internal Control

- The board accepts full responsibility for reviewing the internal control system and ensuring its effectiveness.
- The board is fully responsible for ensuring that the Top Management develops and applies an effective internal control system providing reasonable guarantee for having efficient and effective operations, presenting accurate financial reports, and complying with the laws and legislations as set forth in CMA's law and Executive Regulations of Law No. 25 of 2013 regarding the Governance Rules and Corporate Discipline Standards.

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- The board has delegated the following to the Audit Committee:
1. Review the Risk Management Department's systems and the internal controls once a year to ensure, by means of applying suitable and effective controls, mitigating all risks encountered in the course of achieving business objectives.
 2. The review procedures adopted by the company to identify, assess and manage great risks.
 3. Changes made, since the last review, to the nature and extent of great risks, and the company's ability to adapt to any change in the operations and external environment. The Committee is also responsible for the scope and nature of the activities of controls applied to risks and internal control systems as well as the external audit processes.
 4. Review the weaknesses and defects of the internal control system or unexpected emergencies that have materially affected or may materially affect the company's financial position, and review the procedures applied by the company for tackling the control's essential issues.
 5. Review the company's compliance with the applicable laws and regulations.
 6. Whistleblowing policy.

According to the instructions issued by the CMA, CBK and other regulatory bodies, and CMA's resolution No. 25 of 2013, the Company's board of directors has delegated to the Audit Committee the responsibility for reviewing the efficiency of the company's applicable internal control system. Based on the review outcomes and the available information, the Audit Committee confirms that the internal control system is designed effectively and appropriately, and is applied efficiently to achieve the company's objectives.

8.1.2 Internal Control System's Mechanism

Our Internal Control System is comprised of a group of procedures applied by the board of directors, the executive management, as well as the company's employees. Such procedures are designed to provide reasonable, not ultimate, guarantee for achieving the following objectives:

- **Risk management:** ensure identifying the risks and controls required for achieving the company's objectives.
- **Operations' effectiveness and efficiency:** identify the company's main objectives including adherence to the performance standards and protecting the company's assets as well as other resources.
- **Authenticity of Financial Reports:** ensure presenting authentic financial statements and information to the board, shareholders and Top Management.
- **Adherence by applicable laws and legislations:** adhere to the laws and regulations governing the company, to avoid harming the company's image or receiving penalties.
- The Internal Control System aims to set the pillars of internal controls, document and maintain the same properly, and abide by the same throughout the company's business unit.

8.1.3 Internal Control Department's Mechanism

Internal Control Department is responsible for ensuring that the procedures applied for monitoring the company's operations have been designed properly and are applied effectively according to the company's annual plan approved by the Audit Committee delegated by the board of directors.

1. Internal Control Department is responsible for preparing reports on the effectiveness and efficiency of the internal control systems applied by the company. Inclusive of the ideas and recommendations aimed to enhance the internal control systems, the reports should be presented to the Top Management and the Audit Committee delegated by the board of directors. Internal Control Department is not responsible for preparing and maintaining the internal control systems, as these are the responsibility of the delegated business.

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2. Based on a recommendation from the Audit Committee and the Board of Directors, the Internal Control Department appoints Compliance Officer with clear and independent supervision responsibilities covering the company's extent of compliance with the laws, regulations, and internal procedures. The Compliance Officer is responsible for monitoring the control of the company's activities; ensuring compliance with the laws as well as internal and external systems; and amending and updating the procedures used by the compliance control systems to ensure that work activities are performed in line with the highest standards applicable.
3. Internal Control Department provides a reasonable confirmation to the Audit Committee, delegated by the board of directors, regarding the operations effectiveness in achieving the Company's objectives.
4. Internal Control Department is managed in cooperation with the Risk and Compliance Management Department, and Internal Control Firm (Grant Thornton) as part of the internal audit and control plan reviewed by the Audit Committee on annual basis for proper recommendation of the same.

8.1.4 Internal Control Approach for Solving Significant Problems:

Internal Control Department performs its duties through five key departments:

1. Finance and Accounting Department
2. IT Department
3. Investment Department
4. Administrative Affairs Department
5. Risk and Compliance Management Department

Internal Control Department studies the company's big issues in details through the five departments, based on the nature of the issue. The Department then provides effective recommendations, for solving the problem, to the Executive Management and Audit Committee, and regularly monitors the application of recommendations and provides relevant reports to the Audit Committee.

8.2 Corporate Risk Management

1. The Company is committed to keep the risk management systems in line with the latest international criteria and standards in order to sustain our capabilities and efficiencies in that regard.
2. The Company believes that the strategic and applied efficiency and the practices adopted through "Corporate Risk Management" are a basic requirement of all the Company's departments.
3. The Corporate Risk management works persistently to set up the best frameworks and methodologies through which the Company can maintain its assets, possessions and development on the one part, and protect the interests of shareholders and stakeholders on the other part in addition to maintaining its compliance with the laws and regulations applicable in the fields of investment and operating activities practiced by the Company.
4. The Company has developed its own comprehensive scope for risk management based on relevant international methodologies. This scope is in line with the diligence, compliance and general policies adopted by the Company to define, assess and monitor the risks threatening it and to report the same to the concerned parties through appropriate methods.
5. Through that scope, the department in charge of risk affairs will periodically detect and assess the company-related risks and discuss the same with the Chairman and the executive management team in order to specify the best methods to deal with the risks that the Company may face. This ensures that the Risk Management Department is in line with the Company's strategic and commercial goals.
6. The Company is also working on implementing some procedures and practices to develop the business activities and increase the practical efficiency for dealing with the risks in such a significant department.

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7. The Risk Management Department's Head works on presenting a periodic report on the Company's risk indicators in addition to submitting a semiannual report to CMA on the Company's risks. Such report shall be presented to the Audit Committee and the Board.

8.3 Whistleblowing Policy

The Corporate Governance Manual includes the whistleblowing policy expressed through reliable procedures urging the employees to disclose any potential violations. The responsibility for overseeing and implementing the whistleblowing policy was assigned to the Company's Internal Control Department responsible for providing the appropriate atmosphere for facilitating such job. The policy is still under processing.

9. Shareholders Disclosure and Communication Policy

We keep publishing all explanatory information and disclosures related to our conditions and activities in a way that ensures sound dealing and gives confidence to shareholders and investors wherever required.

As per the instructions of the CMA's Executive Regulations, the Company has followed the Shareholders Disclosure and Communication Policy requiring the Company to immediately disclose all quarterly and annual financial statements once they are finalized and approved by CMA. Besides, the Company complies with disclosing all essential information which affects the Company's financials and shareholders' equity. Furthermore, the Board is keen on reporting and disclosing, to the official authorities, shareholders and the public, the information that may affect the Company's share price and performance, once such information is available.

The Company's Board of the Directors and Executive Management dedicated their efforts to provide communication channels so that the shareholders can contact them not only through the general assembly meetings, but also through the open door policy followed by the Company.

10. General Information's

10.1 SIC share performance market in 2013

Date	High price / Fils	Low price / Fils	Closing price
31 Jan 2013	88	88	88
28 Feb 2013	85	85	85
31 Mar 2013	93	93	93
30 Apr 2013	88	88	88
31 May 2013	96	95	95
30 Jun 2013	77	77	77
31 Jul 2013	87	87	87
31 Aug 2013	91	91	91
30 Sep 2013	94	94	94
31 Oct 2013	90	90	90
30 Nov 2013	78	71	78
31 Dec 2013	77	77	77

Governance & Transparency Report Strategia Investment Company K.S.C.P

10.2 SIC share performance with comparison with market index for year 2013

Date	Market Index	SIC Share Price / Fils
31 Jan 2013	7,766.98	88
28 Feb 2013	7,632.57	85
31 Mar 2013	8,070.17	93
30 Apr 2013	7,772.85	88
31 May 2013	8,300.51	95
30 Jun 2013	7,430.54	77
31 Jul 2013	6,721.52	87
31 Aug 2013	6,463.47	91
30 Sep 2013	6,245.11	94
31 Oct 2013	7,946.39	90
30 Nov 2013	7,549.52	78
31 Dec 2013	7,785.48	77

Note: The Company's shares are still traded below its book value due to market conditions.

10.3 The Company's Highlights During 2013

- Increase of the Company's capital at 100% to become KD 30 million.
- Lead subscription for increasing the Company's capital by the Company's Executive Team.
- Obtaining credit facilities proposal from one of the local banks.
- There were no gross violations during the fiscal year ending on 31 December 2013 or any breaches of the regulatory resolutions on the Corporate Governance Rules and Standards.

11. Sustainable Development and Social Responsibility

In Strategia, we mainly focus on sustainable development and seek to be a responsible company with an efficient role in society development through initiatives having touchable effects on society in general and the financial sector in particular. In 2013, we did our best to improve the internal work environment for our employees.

Our motto "With Profit Growth Comes Responsibility" is not just a motto, rather it is a reflection of our sense of responsibility and our faith in the role of the sustainable development in our business practice, and this is the foundation of our future business plan in addition to our adoption of credibility, integrity and responsible conduct to realize an explanatory business model.

Our business sustainable developments along with our responsibility towards our society constitute the basic pillars for the progress we have achieved. Our investment is based on cultural awareness within a responsible framework. We have taken new measures such as drafting reports to monitor our performance in this field which is under progress.

We focus on diversifying our assets, sources, tools and products in order to reflect the needs of all society classes and our future expectations, giving special attention to our customers.

We can finally conclude an important fact: **With Profit Growth Comes Responsibility**

Our Human Resources

We focus on significant areas including:

1. Support of national workforce
 2. Training and development
 3. Safety and sound lifestyle
 4. Staff members' commitment to work
 5. Business diversification
 6. Integrity and credibility of business
 7. Recruitment and retention
- We target creating a sustainable business environment and happy family of personnel of the Company's sectors through empowering them and rewarding their excellent performance.
 - We are fully confident that helping our staff realize their career ambitions shall sustain their job commitment and satisfaction. Therefore, we focus on developing future leaders by providing international training platforms.
 - We aim at being the favorite destination of job seekers of skilled national resources in the State of Kuwait. The number of our employees was doubled in 2013.

Social Initiatives

As the Company's management is keen to urge and support its employees to continue doing efforts, being committed and dedicated to work, the Company organized a party for honoring the employees who completed more than five years of continuous service. Besides, the Company's management always seeks to invest in its most important asset which is the human resources through drawing out sustainable plans and strategies aiming at the improvement and development of the employees' skills, job capabilities and their retention for long periods.

Cultural Initiatives

In order to increase the cultural awareness among all society members and institutions about Kuwait's history, development, renaissance, its economic transformations and rulers until the present time, Strategia Company supported Author, Khaled Al MUSAAD, for writing the book of "Illustrated History of Kuwait" due to the importance of that book in dealing with an important era of the history of Kuwait.

The Company participated in the project of establishing a small museum about the financial and economic history of Kuwait as it displays coins, currencies and trade bills which have been used in Kuwait since 1750. The Company's initiative was to provide silver sponsorship for the project which narrates Kuwait's financial history especially as it is a permanent cultural and educational project that is useful for all the students and visitors of Kuwait University, aiming at the maintenance and documentation of the financial and economic history of Kuwait.

Environmental Activities and Initiatives

As part of the environmental protection program, Strategia Company cooperated with the Recyclink Company by providing it with paper waste to recycle and reindustrialize the same to reach the target of preserving the environment because clean environment is the common responsibility of all of us.

Support of National Workforce

Our interest in human development, particularly national resources, constitutes one of the most important pillars of our social responsibility. In 2013, the Company participated in a program for the training and qualification of Kuwaiti fresh graduates in cooperation with the Institute of Banking Studies in order to qualify them on the vocational level and increase their practical expertise, which shall help the national economy to grow.

Governance & Transparency Report

Strategia Investment Company K.S.C.P

The Company's Office in USA trained and qualified Kuwaiti fresh graduates, providing them with comprehensive knowledge about evaluation of investment opportunities, strategies and finance.


Educational Initiatives

Strategia Company contributed to educational initiatives aiming at giving support to educational sector through providing silver sponsorship for two consecutive years, 2012 and 2013, to the annual celebration of CFA Institute which is the most famous association for investment experts in the world. This is because such qualifications are important for Kuwait and its financial sector that is in need of the experience of advanced qualified professionals.

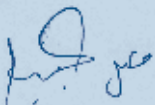

Governance & Transparency Report Strategia Investment Company K.S.C.P

Confirmation about the data in the report

- 1- The Board of Directors confirms that there are no substantial matters which may affect the continuation of the company in the next fiscal year.
- 2- The Board of Directors confirms its responsibility for the preparation of the financial statements and the provision of an effective control system in the company.

Mishal Nasser Habib Chairman & Managing Director	Ahmed Mohamed Hasan Vice Chairman	Hassan Kamal Caedbey Board Member
		
Soud Abdulaziz Al- Mansour Board Member	Amani Ebrahim Al-Omani Board Member	Ghazi Ahmed Al-Osaimi Board Member
		

- 3- We, the undersigned below, confirm the accuracy and completion of the information and statements set out in the report.

Mishal Nasser Habib Chairman & Managing Director	Ahmed Mohamed Sobhy Chief Financial Officer
	

Strategia Investment Company - KSCP
Consolidated Statement
of Financial Position as of
31 December 2013



**Strategia Investment Company – KSCP
State of Kuwait**

Independent Auditors' Report to the Shareholders

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Strategia Investment Company - KSCP "the Company" and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of income, 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 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 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 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 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 consolidated financial position of the Group as of 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

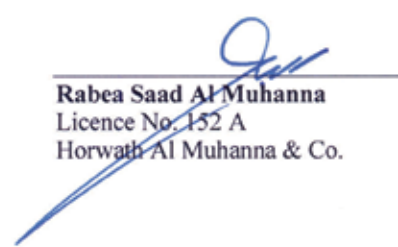
Report on Other Legal and Regulatory Requirements

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

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


Bader A. Al-Wazzan

Licence No. 62 A
Deloitte & Touche
Al Wazzan & Co.
Kuwait, 11 March 2014

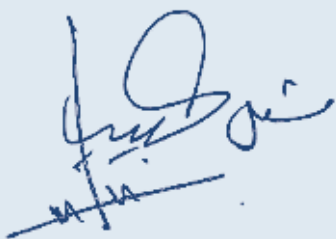

Rabea Saad Al Muhanna
Licence No. 152 A
Horwath Al Muhanna & Co.

Consolidated Statement of Financial Position as of 31 December 2013

(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Assets			
Cash and cash equivalents	5	9,074,816	1,333,510
Investments available for sale	6	6,686,851	10,120,877
Receivables and other debit balances	7	175,584	2,074,947
Investment in an associate	8	19,406,856	-
Other assets		16,876	28,836
Total assets		35,360,983	13,558,170
Liabilities and equity			
Liabilities			
Payables and other credit balances	9	444,646	201,334
Bank facilities	10	3,000,000	-
		3,444,646	201,334
Equity			
Share capital	11.1	30,000,000	15,000,000
Share premium		697,235	460,935
Statutory reserve	11.2	151,086	-
Voluntary reserve	11.3	15,108	-
Foreign currency translation reserve		43,552	44,403
Change in fair value reserve		(209,731)	(170,934)
Retained earnings / (accumulated losses)		1,219,087	(1,977,568)
Total equity		31,916,337	13,356,836
Total liabilities and equity		35,360,983	13,558,170

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



Mishal Nasser Habib

Chairman & Managing Director

Consolidated Statement of Income for the year ended 31 December 2013

(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Revenues			
Management fees		242,777	220,052
Investments income	12	4,203,207	433,650
Interest income		50,930	15,146
Other income		28,913	34,653
		<u>4,525,827</u>	<u>703,501</u>
Expenses			
Staff costs		475,128	443,668
Other expenses		266,078	231,213
Depreciation		15,679	18,106
Finance costs		11,764	-
Provision for doubtful debts	7	268,749	-
		<u>1,037,398</u>	<u>692,987</u>
Profit before deductions		3,488,429	10,514
National Labor Support Tax		(79,987)	-
Zakat		(31,995)	-
Kuwait Foundation for Advancement of Science		(13,598)	-
Net Profit for the year		<u>3,362,849</u>	<u>10,514</u>
Earnings per share (fils)	13	<u>13.75</u>	<u>0.07</u>

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2013
 (All amounts are in Kuwaiti Dinars)

	Note	<u>2013</u>	<u>2012</u>
Net profit for the year		3,362,849	10,514
Other comprehensive income items			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value of investments available for sale		1,103,824	(43,569)
Transferred to statement of income from sale of investments available for sale		103,616	52,487
Transferred to statement of income on acquisition of an associate	12	(1,246,237)	-
Impairment of investments available for sale		-	79,038
Foreign currency translation differences		(851)	803
Total other comprehensive (loss) / income items		<u>(39,648)</u>	<u>88,759</u>
Total comprehensive income for the year		<u>3,323,201</u>	<u>99,273</u>

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2013

(All amounts are in Kuwaiti Dinars)

	Share Capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Change in fair value reserve	(Accumulated losses) / retained earnings	Total
Balance as of 1 January 2012	15,000,000	460,935	-	-	43,600	(258,890)	(1,988,082)	13,257,563
Net profit for the year	-	-	-	-	-	-	10,514	10,514
Other comprehensive income items	-	-	-	-	803	87,956	-	88,759
Balance as of 31 December 2012	15,000,000	460,935	-	-	44,403	(170,934)	(1,977,568)	13,356,836
Balance as of 1 January 2013	15,000,000	460,935	-	-	44,403	(170,934)	(1,977,568)	13,356,836
Capital increase	15,000,000	-	-	-	-	-	-	15,000,000
Share premium	-	300,000	-	-	-	-	-	300,000
Share issuance cost	-	(63,700)	-	-	-	-	-	(63,700)
Transferred to reserves	-	-	151,086	15,108	-	-	(166,194)	-
Net profit for the year	-	-	-	-	-	-	3,362,849	3,362,849
Other comprehensive loss items	-	-	-	-	(851)	(38,797)	-	(39,648)
Balance as of 31 December 2013	30,000,000	697,235	151,086	15,108	43,552	(209,731)	1,219,087	31,916,337

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

Consolidated Statement of Cash Flows for the year ended 31 December 2013

(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Cash flow from Operating activities			
Net profit for the year		3,362,849	10,514
<i>Adjustments:</i>			
Depreciation		15,679	18,106
Finance costs		11,764	-
Interest income		(50,930)	(15,146)
Investments income		(4,203,207)	(433,650)
Provision for doubtful debts		268,749	-
Operating losses before changes in operating assets and liabilities		(595,096)	(420,176)
Investments at fair value through profit or loss		1,616	1,136
Receivables and other debit balances		1,641,737	13,662
Payables and other credit balances		238,654	(47,722)
Net cash generated from / (used in) operating activities		<u>1,286,911</u>	<u>(453,100)</u>
Cash flow from investing activities			
Paid for purchase of available for sale investments		(15,166,044)	(6,931,953)
Proceeds from sale of available for sale investments		3,303,271	5,231,480
Paid for purchase of additional shares in an associate		(542,117)	-
Paid for purchase of property and equipment		(4,471)	(14,519)
Dividends received		597,112	354,446
Interest income received		39,807	15,146
Net cash used in investing activities		<u>(11,772,442)</u>	<u>(1,345,400)</u>
Cash flow from financing activities			
Proceeds from capital increase - Net		15,236,300	-
Proceeds from bank facilities		3,000,000	-
Finance costs paid		(9,463)	-
Net cash generated from financing activities		<u>18,226,837</u>	<u>-</u>
Increase / (decrease) in cash and cash equivalents		7,741,306	(1,798,500)
Cash and cash equivalents at the beginning of the year		<u>1,333,510</u>	<u>3,132,010</u>
Cash and cash equivalents at the end of the year	5	<u><u>9,074,816</u></u>	<u><u>1,333,510</u></u>

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Incorporation and activities

Strategia Investment Company KSCP is a Kuwaiti shareholding Company Public incorporated in Kuwait in 1998 and is engaged in carrying out investments for its own account and for clients, as well as investments in portfolio and fund management activities and is regulated by the Central Bank of Kuwait and Capital Markets Authority. The Company was listed on the Kuwait Stock Exchange on 3 December 2008.

The Company's registered office is at Al Nassar Tower, Fahed Al Salem Street, P.O. Box 1346, Kuwait.

The consolidated financial statements include the financial statement of the Company and its subsidiaries, which are fully owned and mentioned below together referred to as "the Group".

Name	Country of incorporation	Activity	Equity interest (%)
Strategia Investors Inc.	United States	Investment manager and advisor	100
Marquee Fund Managers Limited	United Kingdom	Investment manager and advisory services	100
Strategia Investors Service Limited	Antigua and Burmuda	Investment manager and advisor to a real estate fund	100
Strategia Private Equity Limited	Cayman Islands	Investment	100

For the purposes of consolidation, it had been relied on management accounts prepared by the management of subsidiaries. The total assets of these subsidiaries amounted to KD 1,725,819 as of 31 December 2013 (KD 290,661 - 31 December 2012), and net losses amounted to KD 224,508 for the year ended 31 December 2013 (KD 5,947 for the year ended 31 December 2012).

The consolidated financial statements for the year ended 31 December 2012 were authorized by the Company's shareholders on 8 May 2013 and approved not to distribute dividends.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on 11 March 2014.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

2.2 New and revised international financial reporting standards

New and revised IFRSs issued and effective

In the current year, the Group has applied a number of new and revised IFRSs that are issued and effective for accounting periods that begin on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

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 to similar arrangement.

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(All amounts are in Kuwaiti Dinars unless otherwise stated)

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and of SIC-12 Consolidation – Special Purpose Entities.

Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The adoption of this standard has not resulted in any significant impact on the consolidated financial position or performance of the Group.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of this standard resulted in more extensive disclosures in the consolidated financial statements (see note 8).

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under this standard is an exit price regardless of whether price is directly observable or estimated using another valuation technique. IFRS 13 includes extensive disclosure requirements (note 3.3).

Other than the additional disclosures, the application of the standard has not had any material impact on the amounts recognised in the consolidated financial statements.

IAS 1 Presentation of Financial Statement

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendment affects presentation only and has no impact on the Group's consolidated financial position or performance. The amendments have been applied retrospectively, and hence the presentation of other comprehensive income has been modified to reflect the changes.

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

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

The other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

New and revised IFRSs in issue but not yet effective

For annual periods beginning on or after 1 January 2014

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

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

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

The directors of the Company do not anticipate that the investment entities amendments will have material effect on the Group's consolidated financial statements.

IAS 32 "Financial Instruments – Presentation"

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off'.

The Group does not anticipate that the application of these amendments will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

For annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. The Group anticipates that the application of IFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

2.3 Significant Accounting Policies

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Group gains control until the date when Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(All amounts are in Kuwaiti Dinars unless otherwise stated)

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

Goodwill

Goodwill arising on an acquisition of subsidiaries is carried at cost as established at the date of acquisition of the subsidiaries less accumulated impairment losses, if any.

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For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates

An associate is an entity over 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 results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets".

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.3.2 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment.

Available for sale (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note (3.3).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the year.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.3.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

2.3.4 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible 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).

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.3.5 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.6 End of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the financial position date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.7 Revenue recognition

Gain on sale of investments is recognised at the completion of the transaction. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis based on the maturity dates of the related assets by using the effective yield method. Management and subscription fees are recognized when the services are provided.

2.3.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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2.3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3.10 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the statement of income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows (other than companies which are operating in high inflation countries):

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position.
- Income and expenses for each statement of income are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of other comprehensive income items.

2.3.11 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.3.12 Fiduciary assets

Assets which are kept by the Group as an agency or under a fiduciary capacity are not considered as Group's assets.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value of interest rate risk, risks of fluctuations in cash flows resulted from changes in interest rates and market price risk), credit risk and liquidity risk.

(a) Market risk

Foreign currency risks

The Group is exposed to the risk of foreign currency resulting primarily from dealing in financial instruments with US Dollar. The risk of foreign exchange is resulting from future transactions on financial instruments in foreign currency recorded in the financial statements of the Group.

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(All amounts are in Kuwaiti Dinars unless otherwise stated)

The Group has set policies for managing foreign exchange risk through careful monitoring of changes in currency rates and its respective impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advisory in case of any significant change in foreign currencies' rates.

In case of a change in the US Dollar against the Kuwaiti Dinar by 5% as of 31 December, the Group's profit and equity would have changed by KD 124,375 (2012: KD 89,133).

Following is the net position of the foreign currencies as of 31 December:

	<u>2013</u>	<u>2012</u>
US\$ Surplus	2,487,503	1,675,751

Price risk

Price risk is the risk arising from fluctuation of financial instrument value resulting from changes in market price. The Group is exposed to the price risk arising from its investments that are classified in the consolidated financial statement as available for sale investments and investments at fair value through profit or loss.

For managing this risk, the Group is monitoring market prices of these investments, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for these investments.

The following sensitivity analysis shows the impact of the change in the index of the stock market on the Group's equity. This analysis is based on the index change by 5% with all other variables held constant.

	<u>Impact on equity</u>	
	<u>2013</u>	<u>2012</u>
Kuwait Stock Exchange	304,307	437,782

Cash flow and fair value Interest rate risk

Financial assets and liabilities affected by interest rate fluctuations are cash deposits and bank loans. The interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the market interest rates. The Group's exposure to interest rate risk arises from deposits and bank facilities bearing variable interest rates, which expose the Group to the risk of cash flow fluctuations, resulted from changes in interest rate.

The Group is managing this risk by locking the deposits for a short-term period relatively. The Group is periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group's cash flows and profits in addition to take the necessary action in order to mitigate such impact.

As at 31 December 2013, if the interest rate on bank facilities increase by 50 basis points with all other variables held constant, the profit for the year would have been decreased by KD 588 (2012: Nil)

(b) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

Credit risk is managed by the Group by monitoring credit policy on regular basis taking into account to maintain non-concentration of credit risk.

Credit risk is highly concentrated in cash and cash equivalents, time deposits and receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation. The Group grants credit only

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within the limits of the requirements and the normal course of business taking into consideration its financial position, past experience and reputation.

(c) Liquidity risk

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining Group of highly liquid financial investments. This facilitates to the Group, the availability of liquidity when needed. In addition, the Group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

All outstanding liabilities as of 31 December 2013 and 2012 will mature within one year from the financial statement date.

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group comprising issued capital, reserves and retained earnings.

The Company's current strategy is to rely on the self-finance for the Group's activities instead of depending on debts, and to maintain the external finance at minimum.

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical financial instruments.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of the financial assets are determined:

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/13	31/12/12				
<u>Available for sale investments</u>						
- Quoted Shares	5,413,596	8,755,633	1	Last bid price	N/A	N/A
- Funds	271,967	281,137	2	Net assets value	N/A	N/A

The unquoted shares are carried at cost less accumulated impairment.

The fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis approximately equals their carrying values.

4. Critical accounting estimates and judgments

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources concerning current period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

Valuation of financial instruments

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability the Group uses market observable data to the extent it is available. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in (note 3.3).

Impairment of investments

Management determines the impairment in investments available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. The impact of such impairments in these financial statements is disclosed in note (12).

Impairment of Receivables

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period, change in global and local economies which led the customers to default in payment. The impact of such impairment on these financial statements is disclosed in note (7).

Impairment in associate

The Group calculates the recoverable amount for its investments in associate if there is an indication of an impairment to determine whether there is any impairment should be recorded.

Recoverable amount is calculated based on the value in use or fair value less cost to sell whichever is higher. In estimating the value in use, cash flows which are based on the associate's business plans are discounted using the relevant discount rate and the terminal value is calculated by estimating the terminal growth rates. In case of difficulty to obtain such information, the recoverable amount is calculated based on the adjusted book value taking into consideration the market conditions and the difficulties that may be faced by the investee. These involve high degree of estimates.

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5. Cash and cash equivalents

	2013	2012
Cash on hand and at banks	2,074,409	1,333,104
Time deposits (<i>less than 3 months</i>)	7,000,000	-
Cash at portfolios	407	406
	<u>9,074,816</u>	<u>1,333,510</u>

The average interest rate on time deposits during the year 31 December 2013 is 1%.

Time deposits include an amount of KD 6,600,000 pledged against bank facilities note (10).

6. Investments available for sale

	2013	2012
Quoted shares	5,413,596	8,755,633
Unquoted shares	1,001,288	655,062
Funds	271,967	710,182
	<u>6,686,851</u>	<u>10,120,877</u>

The fair value has been determined based on valuation basis mentioned in note (3.3).

Unquoted shares include investments of KD 1,001,288 as of 31 December 2013 (2012: KD 1,084,107 unquoted shares and funds) carried at cost, less impairment, due to unavailability of market values for these investments and lack of other suitable methods to determine reliable fair value for these investments.

Below is the currency analysis of the investments available for sale as at 31 December:

	2013	2012
Kuwaiti Dinar	5,991,096	9,396,883
US Dollar	695,755	710,182
Other currencies	-	13,812
	<u>6,686,851</u>	<u>10,120,877</u>

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7. Receivables and other debit balances

	<u>2013</u>	<u>2012</u>
Management fees – net	59,682	57,257
Receivables	510,754	424,038
Due on sale of investments	235,966	1,953,956
Prepaid expenses	27,556	29,321
	<u>833,958</u>	<u>2,464,572</u>
Provision for doubtful debts	(658,374)	(389,625)
	<u>175,584</u>	<u>2,074,947</u>

During the current year, the Company has provided an amount of KD 268,749 against doubtful receivables.

8. Investment in an associate

This represent Group's investment in Kuwait Financial Centre by 22.64% as of financial statements date.

During the current year, the Company acquired additional shares in Kuwait Financial Centre "Markaz" – a Kuwaiti Shareholding Company listed in Kuwait Stock Exchange resulting Company's holding to exceed 20% accordingly this investment has been reclassified as investment in an associate.

The acquisition has been accounted for based on the provisional fair values of the net assets acquired using 30 September 2013 financial information due to the unavailability of the financial information as at acquisition date and the management is in process of preparing a detailed study to determine the fair values of assets and liabilities acquired.

The acquisition of associate resulted bargain gain and recycling of fair value reserve of the previously held investment classified as AFS to profit or loss as follow:

Provisional fair value of the net assets acquired	85,719,443
Group's ownership interest (%)	22.64
Fair value of Group's share of net assets acquired	<u>19,406,856</u>
Fair value as at acquisition date and consideration paid for additional share	(16,545,713)
Gain on bargain purchase	<u>2,861,143</u>
Fair value reserve recycled to statement of income on acquisition (note 12)	<u>1,246,237</u>

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Summarized financial information of Kuwait Financial Centre – SAK is set out below based on unaudited 30 September 2013 financial information.

	<u>2013</u>
Total assets	129,690,000
Total liabilities	<u>(34,812,000)</u>
Net assets	<u>94,878,000</u>
	<u>2013</u>
Total revenue	11,664,000
Total expenses	<u>(5,966,000)</u>
Net profit	<u>5,698,000</u>
Group's share of contingencies and commitments	<u>1,106,643</u>

The fair value of investment in an associate amounted to KD 16,545,713 as of the financial statements date.

9. Payables and other credit balances

	<u>2013</u>	<u>2012</u>
Accrued expenses	18,741	19,192
Others	<u>425,905</u>	<u>182,142</u>
	<u>444,646</u>	<u>201,334</u>

10. Due to banks

This amount represents loan granted from one of the local banks at 1% above fixed deposits interest rate. This loan will mature on 28 May 2014 and is secured against fixed deposits by an amount of KD 6,600,000. (Note 5)

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11. Share capital and reserves

11.1 Share capital

In the General Assembly held on 16 May 2012 the shareholders approved capital increase from KD 15 Million to KD 30 Million through issuance of 150 Million shares with par value of 100 fils per share and 2 fils per share premium for the current shareholders to be paid at lump sum. On 13 January 2013 the Board of Directors called this increase.

The capital increase has been completed on 16 May 2013 and accordingly the authorized, issued and paid up capital as of 31 December 2013 is KD 30 million allocated over 300 million shares with par value of 100 fils per share and all shares are in cash (2012: KD 15 million allocated over 150 million shares).

The share capital increase has been authenticated in the Commercial Register on 3 September 2012.

11.2 Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of net profit before Board of Directors' remuneration, National Labor Support Tax, Zakat expense and KFAS are transferred to statutory reserve. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to discontinue this transfer. The reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends.

11.3 Voluntary reserve

In accordance with the Company's Articles of Association, 1% of net profit before Board of Directors' remuneration, National Labor Support Tax, Zakat expense and KFAS as proposed by the Board of Directors and approved by the General Assembly is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors.

12. Investments income

	<u>2013</u>	<u>2012</u>
Gain on sale of investments available for sale	5,963	158,242
Fair value reserve recycled to statement of income on acquisition of an associate	1,246,237	-
Gain on bargain purchase	2,861,143	-
Cash dividends	597,112	354,446
Impairment losses	(507,248)	(79,038)
	<u>4,203,207</u>	<u>433,650</u>

13. Earnings per share

Earnings per share are computed by dividing net profit for the year attributable to the shareholders of the Company by the weighted average number of outstanding ordinary shares during the year as follows:

	<u>2013</u>	<u>2012</u>
Net profit for the year	3,362,849	10,514
Weighted average number of outstanding ordinary shares (share)	244,520,548	150,000,000
Earnings per share (fils)	<u>13.75</u>	<u>0.07</u>

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14. Related party transactions

Related parties are the shareholders of Company who are represented in Board of directors as well as major shareholders and the companies in which any of its members is in the same time a board member in the Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried some transactions during the year with related parties. The transactions and balances which are included in the financial statements are as follows:

	<u>2013</u>	<u>2012</u>
Transactions		
Salaries and other benefits	210,813	191,570
End of service indemnity	31,839	39,394
Balances		
Payables and other credit balances	<u>162,822</u>	<u>98,666</u>

Related parties transactions are subject to approval of shareholders' general assembly.

15. Fiduciary assets

The Group manages portfolios on behalf of customers and maintains cash balances and securities in fiduciary accounts which are not reflected on the Group's financial statements. The aggregate net asset value held in a fiduciary capacity by the Group is KD 28,059,707 as of 31 December 2013 (KD 27,086,524 as of 31 December 2012).

16. Segment information

The Group practices its main activities through the following segments:

Investment activities	Investing in securities, funds, lending to corporate and individual customers and managing the Group's liquidity requirements.
Asset management and advisory services	Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related financial services.

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 the return on investments. The Group does not have any significant inter-segment transactions.

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(All amounts are in Kuwaiti Dinars unless otherwise stated)

The following table presents segment revenues, profits, assets and liabilities regarding the Group's business segments:

	2013		
	Investment activities	Asset management and advisory services	Total
Segment revenue	4,283,050	242,777	4,525,827
Profits	3,136,930	225,919	3,362,849
Segment assets	34,178,025	1,182,958	35,360,983
Segment liabilities	3,414,434	30,212	3,444,646

	2012		
	Investment activities	Asset management and advisory services	Total
Segment revenue	483,449	220,052	703,501
(Losses) \ profits	(194,817)	205,331	10,514
Segment assets	13,500,913	57,257	13,558,170
Segment liabilities	173,527	27,807	201,334

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(All amounts are in Kuwaiti Dinars unless otherwise stated)

Geographical distribution of Group's revenue, profit, assets, and liabilities is set out below:

	2013			
	Middle East	USA	Europe	Total
Segment revenue \ (losses)	4,480,293	(175,436)	220,970	4,525,827
Profits \ (losses)	3,444,205	(237,955)	156,599	3,362,849
Assets	33,347,088	1,663,245	350,650	35,360,983
Liabilities	3,414,434	3,143	27,069	3,444,646

	2012			
	Middle East	USA	Europe	Total
Segment revenue	497,737	21,725	184,039	703,501
(Losses) / profits	(68,922)	(66,568)	146,004	10,514
Assets	12,974,242	227,236	356,692	13,558,170
Liabilities	173,527	5,640	22,167	201,334

References:

- 1) International Monetary Fund Reports
- 2) National Bank of Kuwait Reports
- 3) EIU Report