



الشركة الخليجية المغاربية القابضة
Gulf North Africa Holding Company

Annual 2012 Report





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



H.H. Sheikh
Sabah Al-Ahmed Al-Jaber Al-Sabah
Amir of The State of Kuwait

Board Members



Talal Jasim Al-Kharafi
Chairman & Managing Director



Dr. Foad Abdullah Al-Omar
Vice Chairman



Saud Al-Osaimi
Member



Ahmed Eissa Al-Dosarri
Member



Abdulrahman Hisham Al-Nissf
Member



Shaya Al-Shaya
Member

Chairman`s Message

Dear Shareholders

On behalf of my colleagues, the members of the Board of Directors, it is my pleasure to send our regards and present you with our 7th annual report to highlight the Company's business activities and financial results for the fiscal year ending 31 December 2012.

Countries in North Africa are experiencing many challenges due to the unstable political and economic situation in the region. After suffering the unfavorable effects of the global economic crisis, the Arab Spring followed and casted its shadow over the region impacting negatively on the Company's performance, given the Company's main activity of investing in the North African countries, which in turn led to delay in implementing the Company's current projects in these areas.

As a result of continuous volatile political circumstances and difficult economic conditions experienced by the countries in which the Company operates, the Company worked on retaining the value of its assets and shareholders' equity through close follow up of the situation and by taking the necessary measures such as the risk of additional impairments of investments values. Accordingly, the Company has taken provisions amounted to KD 3.1 million, which had the greatest impact on the financial results. Most of these provisions are the result of the political situation in Syria and related to the Company's contribution in Casablanca project in Syria.

In terms of the Balance Sheet, the shareholder's equity reached 12.89 million Kuwaiti Dinars this year opposed to KD 15.83 million in 2011. The loss per share was 21.5 fils in comparison to 16.8 fils per share in 2011. It is worth mentioning that the company is still operating without any financial debts or liabilities with banks, which is noteworthy in the current circumstances.

In comprehension with the plan set by the Board of Directors to revert back to profitability and implementing the Company's financial and investment strategy, the Company has focused on income generating investments, which contributed in rising revenues during 2012. The Company invested in an income generating property and fixed income Sukuks, as well as continued generated income from investing in Hajar Tower. On the other hand, the Company has expanded in the Turkish market through investment in Bati Sehir project in the city of Istanbul. The Company also invested in real estate market in Saudi Arabia by purchasing a plot of land and developing it to residential units in the heart of the capital – Riyadh. The project started in January 2013. The Company is currently working on studying new opportunities and new markets, as well as working on exiting from current investments.

With regards to existing projects, the Company has suspended Casablanca Project in Syria due to the difficult political and economic situations and the ongoing war in the country. Necessary precautions were also taken along with a contingency plan to maintain the investors' equity as well as taking account for needed provisions. Furthermore, all official documents were transferred to Kuwait as a precaution. The Management will continue following up the situation in Syria in an attempt to exit from the project as earliest as possible.

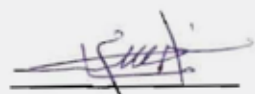
On the other hand, the company is currently working on changing the design of Janzor project in Libya so as to suit the requirements of the Libyan market. Congruently, there are attempts to exit from the project with the best possible returns and profit for the investors.

As for Dream Real Estate Project in Morocco, the company has completed the project development plan and is working on finding a strategic partner to contribute in funding the development of the project. the unstable global economic situation and difficulty of obtaining Islamic financing from the Moroccan banks have delayed works on the project.

In conclusion and on behalf of the Board of Directors , I would like to express my sincere appreciation and gratitude to His Royal Highness The Amir of the State of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, Crown Prince of The State of Kuwait Sheikh Nawaf Al-Ahmd Al-Jaber Al-Sabah and His Highness The Prime Minister Sheikh Jaber Mubark Al-Hamad Al-Sabah for their patronage and constant support for Kuwait's economy.

I would also like to thank all the employees working at the company for all their noticeable efforts and hard work to keep the Company growing and for executing all the Company's strategies. We also appreciate our investors and shareholders for their constant support and contribution to the Company's business activities and investments in such difficult circumstances, which has upheld the Company's Assets in valued position – We ask Allah for reconciliation and success.

Best Regards,



Talal Jasem Al-Khorafi
Chairman

Current Projects

Raghad Homes – Kingdom of Saudi Arabia

Given the high demand for residential units in the Saudi Arabian market, the Company has identified the country as an ideal target for its investment strategy. The project consists of developing 13 residential villas on a land area of 4,425 sqm in the neighborhood of Mohammedia, which lies in the heart of the capital, Riyadh. Each villa will have a final livable area of 316-450 sqm with total sellable area of 4,778 sqm.

The project is in collaboration with Shumool Real Estate Company, which is holding the role of the developer given its existence and experience in Saudi Arabia market. Construction works have commenced in January 2013 with a target delivery date of 12 months. 5 villas have already been sold off-plan, while the remaining 8 villas will be marketed to interested buyers during the year.





Current Projects

Bati Sehir Project – Turkey

After identifying the Turkish real estate market as a target for investments, the Company acquired a number of residential units in Bati Sehir Project, which is considered to be one of the largest mix-use developments in Europe – lying on a land area of 165,000 sqm with an expected 818,000 sqm of built up space upon completion. The gated community will include residential units, offices, a hotel, an educational complex, an open-air shopping center, gyms and 100,000 sqm of green areas. The developer is Ege Yapi, who is working with Government backed Emlak Konot and TOKI groups to deliver a total of 3,123 residential and commercial units by December 2013.





Current Projects

Casablanca Project – Syria

The project comprises of developing a land area of 1.39 million sqm in Yabous, which lies 38 km west of the capital, Damascus and only 2 km from the Lebanese borders. The development objective is to provide a multi-use community with residential, commercial, and retail services serving both residents and travelers accessing the Damascus-Beirut Highway.

All works towards the project in Syria have been suspended due to the difficult political and economic situations and the ongoing war in the country. Necessary safety measures have been taken along with a contingency plan which shall maintain the value of the project. The Company will continue to follow up the situation in Syria in an attempt to exit from the project as earliest as possible.





Current Projects

Janzour Project – Libya

The project is a real estate development on a land plot of 17,575 sqm in the neighborhood of Janzour, which lies 16 km west of the heart of the capital, Tripoli. The development comprises of two office towers with residential and retail space.

Since February 2011, construction works have been ceased due to the escalating civil war. According to project delivery, the first option is to exit through sale of land. The Company is also studying the Libyan market with an option to redesign the project, which will deliver final components favorable to the current market conditions.





Current Projects

Dream Project – Morocco

The project idea revolves around developing a land area of 61,860 sqm in Bouznika, which lies between the cities of Casablanca and Rabat on the Atlantic Ocean into a touristic residential apartment compound with supporting amenities such as swimming pools, a fitness center and a hotel.

The global financial crisis and the late Arab Spring have brought challenges to delivering the project such as the decline in demand for secondary homes and the inability of local banks to provide a financing as per Islamic Sharia Law. The Company is studying the current market to begin development works through invitation of a new investor or by securing an Islamic finance facility. An option to sell the land is also under consideration.





Shari'a Advisors Report

Al-Mashora and Alraya for Islamic financial Consulting Sharia Advisory Board Report

**Praise is only to Allah and Peace and Blessing on the last Prophet,
his family and companions.**

To the Shareholders of Gulf North Africa Holding Company

Allah's Peace & Blessings on you,


As per Engagement Contract Signed with us, we have audited the contracts and transactions executed by the company during the fiscal year ended on 31/12/2012 to express our opinion on extent of the company compliance with the provision of Islamic Shari'a as described on the opinions, guidelines and Shari'a decisions issued by us.

Compliance with implementation of contracts and transactions in accordance with the provisions of Islamic Shari'a shall be the responsibility of the company management. However, our liability is exclusively limited to the expression of the independent opinion on the extent of reviewing the contracts and transactions presented to us by the company, based on opinions, guidelines and Shari'a decisions issued by us.

In our opinion:

- Based on the reasonable confirmation we have obtained, the contracts and transactions executed by the company during the fiscal year ended on 31/12/2012 are in accordance with the provisions of Islamic Shari'a as described on opinions, guidelines and Shari'a decisions by us.

Allah's Peace & Blessings may be upon you.



Prof. Abdul Aziz K. Al Qassar
Board Chairman



Dr. Ali I. Al Rahsed
Member



Dr. Jarrah N. Al Fadhli
Member

Affiliate Companies

Gulf North Africa Holding Company has established several companies, which continually help in carrying its businesses. These companies include:



Libyan General Trading Company



Al-Sham Gulf Holding Co.



Al-Sham Gulf Co. Limited



Moroccon North Africa Holding Co.



Al-Janzour General Trading Co.



Dream Building Co.

Gulf Moroccan Company

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**Gulf North Africa Holding Co. K.S.C. (Closed)
and Subsidiaries - Kuwait**

**Consolidated Financial Statements
and
Independent Auditor's Report**

For the year ended 31 December 2012

Independent Auditors' Report

**To the shareholders of
Gulf North Africa Holding Company – KSC (Closed)
Kuwait**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf North Africa Holding Company – Kuwaiti Shareholding Company (Closed) and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

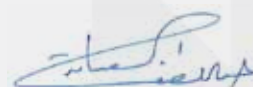
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gulf North Africa Holding Company and its subsidiaries as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012 and by the Parent Company's 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 nor of the Company's articles of association, have occurred during the year that might have had a material effect on the business or financial position of the Parent Company.



Rabea Saad Al-Muhanna
(Licence No. 152-A)
of Horwath Al-Muhanna & Co.



Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami,
Al-Aiban & Partners

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Consolidated statement of income

31 December 2012

	Notes	Year ended 31 Dec 2012 KD	Year ended 31 Dec 2011 KD
Revenue			
Management fees		111,000	111,000
Rental income-net		83,523	-
Gain on sale of financial assets at fair value through statement of income		137	-
Change in fair value of financial assets at fair value through statement of income		(2,354)	(14,005)
Gain/(loss) on redemption/sale of financial assets available for sale		4,028	(8,308)
Share of results of associate	15	(28,498)	(26,472)
Dividend income		139,000	115,117
Foreign exchange loss		(71,763)	(10,485)
Profit from sukuks and other income		102,453	134,405
Profit/(loss) on disposal of equipment		109	(158)
		337,635	301,094
Expenses and other charges			
General and administrative expenses	9	(363,535)	(444,577)
Depreciation		(16,309)	(16,732)
Impairment of financial assets available for sale	14	(1,085,597)	(2,294,222)
Loss on liquidation of subsidiary	7	(13,426)	-
Refund of fees	10	(1,250,000)	-
Bad debts written off		(18,783)	-
Provision for doubtful debts	16	(720,357)	-
		(3,468,007)	(2,755,531)
Loss for the year		(3,130,372)	(2,454,437)
Basic and diluted loss per share	11	(21.52) Fils	(16.86) Fils

The notes set out on pages 30 to 63 form an integral part of the consolidated financial statements.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Consolidated statement of comprehensive income

31 December 2012

	Year ended 31 Dec 2012 KD	Year ended 31 Dec 2011 KD
Loss for the year	(3,130,372)	(2,454,437)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	94,882	(219,138)
Available for sale investments:		
- Net change in fair value of financial assets available for sale	(998,171)	(1,738,116)
- Transferred to consolidated statement of income on redemption	6,892	-
- Transferred to consolidated statement of income on impairment	1,085,597	2,294,222
Total other comprehensive income for the year	189,200	336,968
Total comprehensive loss for the year	(2,941,172)	(2,117,469)

The notes set out on pages 30 to 63 form an integral part of the consolidated financial statements.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Consolidated statement of financial position

31 December 2012

	Notes	31 Dec 2012 KD	31 Dec 2011 KD
Assets			
Non-current assets			
Equipment	12	26,495	35,578
Investment property	13	1,625,130	-
Financial assets available for sale	14	8,001,023	9,314,528
Investment in associate	15	987,518	1,029,668
		10,640,166	10,379,774
Current assets			
Due from related parties	16	172,733	1,424,538
Accounts receivable and other assets	17	479,801	117,345
Financial assets at fair value through statement of income		50,860	85,635
Cash and cash equivalents	18	2,308,404	4,012,950
		3,011,798	5,640,468
Total assets		13,651,964	16,020,242
Equity and liabilities			
Equity			
Share capital	19	15,000,000	15,000,000
Treasury shares	20	(337,694)	(336,659)
Statutory reserve	21	751,821	751,821
Voluntary reserve	21	751,821	751,821
Foreign currency translation reserve		(84,791)	(179,673)
Fair value reserve		(20,330)	(114,648)
Accumulated losses		(3,169,794)	(39,422)
Total equity		12,891,033	15,833,240
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		29,187	38,659
Current liabilities			
Due to related parties	16	652,824	2,136
Accounts payable and other liabilities	22	78,920	146,207
		731,744	148,343
Total liabilities		760,931	187,002
Total equity and liabilities		13,651,964	16,020,242

Mr. Talal Jaseem Mohammed Al-Khorafi
Chairman

Dr. Fouad Abdulla A Omar
Vice Chairman

The notes set out on pages 30 to 63 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

31 December 2012

	Share capital KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Total KD
Balance at 31 December 2011	15,000,000	(336,659)	751,821	751,821	(179,673)	(114,648)	(39,422)	15,833,240
Purchase of treasury shares	-	(1,035)	-	-	-	-	-	(1,035)
Transactions with owners	-	(1,035)	-	-	-	-	-	(1,035)
Loss for the year	-	-	-	-	-	-	(3,130,372)	(3,130,372)
Other comprehensive income:								
Financial assets available for sale:								
- Net change in fair value	-	-	-	-	-	(998,171)	-	(998,171)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	1,085,597	-	1,085,597
- Transferred to consolidated statement of income on redemption	-	-	-	-	-	6,892	-	6,892
Exchange differences arising on translation of foreign operations	-	-	-	-	94,882	-	-	94,882
Total comprehensive income/(loss) for the year	-	-	-	-	94,882	94,318	(3,130,372)	(2,941,172)
Balance at 31 December 2012	15,000,000	(337,694)	751,821	751,821	(84,791)	(20,330)	(3,169,794)	12,891,033

The notes set out on pages 30 to 63 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (continued)

31 December 2012

	Share capital KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares Reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings/ accumulated losses KD	Total KD
Balance at 31 December 2010	15,000,000	(287,750)	751,821	751,821	270	39,465	(670,754)	3,142,916	18,727,789
Purchase of treasury shares	-	(54,960)	-	-	-	-	-	-	(54,960)
Sale of treasury shares	-	6,051	-	-	(270)	-	-	(101)	5,680
Dividend	-	-	-	-	-	-	-	(727,800)	(727,800)
Transactions with owners	-	(48,909)	-	-	(270)	-	-	(727,901)	(777,080)
Loss for the year	-	-	-	-	-	-	-	(2,454,437)	(2,454,437)
Other comprehensive income:									
Financial assets available for sale:									
- Net change in fair value	-	-	-	-	-	-	(1,738,116)	-	(1,738,116)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	2,294,222	-	2,294,222
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(219,138)	-	-	(219,138)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(219,138)	556,106	(2,454,437)	(2,117,469)
Balance at 31 December 2011	15,000,000	(336,659)	751,821	751,821	-	(179,673)	(114,648)	(39,422)	15,833,240

The notes set out on pages 30 to 63 form an integral part of the consolidated financial statements.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Consolidated statement of cash flows

31 December 2012

	Notes	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
OPERATING ACTIVITIES			
Loss for the year		(3,130,372)	(2,454,437)
Adjustments for:			
Depreciation		16,309	16,732
Dividend income		(139,000)	(115,117)
(Gain)/loss on redemption /sale of financial assets available for sale		(4,028)	8,308
Gain on sale of financial assets at fair value through statement of income		(137)	-
(Gain)/loss on disposal of equipment		(109)	158
Impairment of financial assets available for sale		1,085,597	2,294,222
Share of results of associate		28,498	26,472
Provision for employees' end of service benefits		10,303	8,964
Bad debts written off		18,783	-
Provision for doubtful debts		720,357	-
		(1,393,799)	(214,698)
Changes in operating assets and liabilities:			
Due from related parties		512,665	(100,765)
Accounts receivable and other assets		(223,456)	(9,101)
Financial assets at fair value through statement of income		34,912	136,231
Due to related parties		650,688	(245,251)
Accounts payable and other liabilities		(14,037)	(71,140)
Cash used in operations		(433,027)	(504,724)
Employees' end of service benefits paid		(19,775)	(30,757)
Net cash used in operating activities		(452,802)	(535,481)
INVESTING ACTIVITIES			
Proceeds from redemption/sale of financial assets available for sale		882,145	664,656
Purchase of financial assets available for sale		(555,891)	(2,174,091)
Purchase of investment property		(1,625,130)	-
Purchase of equipment		(7,300)	(290)
Proceeds from disposal of equipment		170	75
Dividend income received		-	115,117
Dividend received from associate		13,652	-
Net cash used in investing activities		(1,292,354)	(1,394,533)
FINANCING ACTIVITIES			
Dividend paid		(53,250)	(653,241)
Purchase of treasury shares		(1,035)	(54,960)
Sale of treasury shares		-	5,680
Net cash used in financing activities		(54,285)	(702,521)
Net impact of foreign currency translation adjustments		94,895	(219,111)
Decrease in cash and cash equivalents		(1,704,546)	(2,851,646)
Cash and cash equivalents at the beginning of the year	18	4,012,950	6,864,596
Cash and cash equivalents at the end of the year	18	2,308,404	4,012,950
Non-cash transaction:			
Purchase of financial assets available for sale		-	(709,592)
Due from related party		-	709,592

The notes set out on pages 30 to 63 form an integral part of the consolidated financial statements.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements

31 December 2012

1. Incorporation and activities

Gulf North Africa Holding Co. - K.S.C (Closed) ("the Parent Company") is a Kuwaiti closed shareholding company incorporated on 3 December 2005. The General Assembly meeting for establishment of the Parent Company was held at the Ministry of Commerce and Industry on 14 December 2005. The Parent Company's shares were listed on the Kuwait Stock Exchange on 23 March 2010.

The Group comprises the Parent Company and its subsidiaries ("the Group"). The main activities of the Group are owning and investing in other companies, providing loans and advances to those companies, holding trademarks, licenses or other rights, owning necessary properties and other assets incidental to activities of the Group and investing in portfolios.

In all cases the Parent Company is governed in all its activities by Islamic Sharia'a and all activities which are in compliance of Islamic Sharia'a board are obligatory to the Parent Company.

On 29 November 2012, the Decree of the Companies Law No. (25) of 2012 was issued and this law is to be implemented and was effective on the date of its publication in the Official Gazette. Companies already established at the time this law became effective are required to adjust their circumstances in accordance with the provisions of the law within six months of it coming into force and as specified in the executive regulations.

The address of the Parent Company's registered office is PO Box 4425, Safat 13045, State of Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2012 were authorised for issue by the Parent Company's board of directors on 20 March 2013 and are subject to the approval of the General Assembly of the shareholders.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for financial assets at fair value through statement of income, financial assets available for sale and investment property that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the Parent Company.

3. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

4. Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except as discussed below.

The Group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year:

4.1 Adoption of new IASB standards and amendments during the year

The group has adopted the following amended IFRS during the year:

IFRS 7 Financial Instruments: Disclosure- amendment

The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Standard or Interpretation	Effective for annual periods beginning
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements - Revised as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates - Revised as IAS 28 Investments – Associates and Joint Venture	1 January 2013
IAS 32 Financial Instruments: Presentation – amendments	1 January 2014
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interest in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Annual Improvements 2009-2011	1 January 2013

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 1 Presentation of Financial Statements

The amendment to IAS 1 requires entities to group other comprehensive income items presented in the consolidated statement of comprehensive income based on those:

- a. Potentially reclassifiable to consolidated statement of income in a subsequent period, and
- b. That will not be reclassified to consolidated statement of income subsequently.

The Group will change the current presentation of the consolidated statement of comprehensive income when the amendment becomes effective.

IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements

As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

IAS 28 Investments in Associates – Revised as IAS 28 Investments in Associates and Joint Ventures

As a result of the consequential amendments, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these amendments.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The Amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these amendments.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments – Classification and measurement

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. It revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and, therefore, change the scope of consolidation. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the Group's existing investees at 31 December 2012.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Group's consolidated financial statements.

Annual Improvements 2009-2011 (the Annual Improvements)

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarised below:

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Tax effect of distribution to holders of equity instruments:

- addresses a perceived inconsistency between IAS 12 'Income Taxes' (IAS 12) and IAS 32 'Financial Instruments: Presentation' (IAS 32) with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction
- clarifies that the intention of IAS 32 is to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

Segment information for total assets and liabilities:

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. Management does not anticipate a material impact on the Group's consolidated financial statements from these Improvements.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

5. Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries (see note 7). Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of income.

5.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. Revenue arises from the rendering of the services and it is measured by reference to fair value of consideration received or receivable. The Group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.2.1 Management fees

Management fees is recognised in proportion to the stage of completion of the transaction at reporting date.

5.2.2 Dividend income

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

5.2.3 Rental income

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

5 Significant accounting policies (continued)

5.3 Operating expenses

Operating expenses are recognised in consolidated statement of income upon utilisation of the service or at the date of their origin.

5.4 Taxation

5.4.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.4.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.4.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

For the year ended 31 December 2012 and 31 December 2011, the Group has no liability towards NLST, KFAS and Zakat due to losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior years is permitted.

5.4.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.5 Segment reporting

The Group has two operating segments: local and international segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

5 Significant accounting policies (continued)

5.6 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in consolidated statement of income immediately.

5.7 Equipment

Equipment (comprising furniture and fixtures and computers) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of equipment. The following useful lives are applied:

- Furniture and fixtures: 5 years
- Computers: 2 - 5 years

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

5 Significant accounting policies (continued)

5.7 Equipment (continued)

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of income.

5.8 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are revalued annually and are included in the statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in consolidated statement of income within change in fair value of investment property.

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

5.9 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

5 Significant accounting policies (continued)

5.9 Investment in associates (continued)

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of income.

5.10 Financial instruments

5.10.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through statement of income which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of Group of similar financial assets) is derecognised when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

Notes to the consolidated financial statements (continued)

31 December 2012

5 Significant accounting policies (continued)

5.10 Financial instruments (continued)

5.10.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through statement of income (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in consolidated statement of income are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The Group categorises loans and receivables into following categories:

Accounts receivable and other assets

Receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Due from related parties

Due from related parties are financial assets originated by the Group by providing money directly to the borrowers that have no fixed or determinable payments and are not quoted in an active market.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

5 Significant accounting policies (continued)

5.10 Financial instruments (continued)

5.10.2 Classification and subsequent measurement of financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances, together with saving accounts and murabaha investments that are readily convertible into know amounts of cash which are subject to an insignificant risk of changes in value.

Financial assets at FVTPL

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of income. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in consolidated statement of income. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to consolidated statement of income and presented as a reclassification adjustment within other comprehensive income.

The Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of income.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

5 Significant accounting policies (continued)

5.10.2 Classification and subsequent measurement of financial assets (continued)

AFS financial assets (continued)

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of income only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.10.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include accounts payable and other liabilities and amount due to related parties.

The subsequent measurement of financial liabilities depends on their classification as follows:

Accounts payable and other liabilities

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

Due to related parties

Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

5.11 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.12 Offsetting of financial instruments

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

5.13 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

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

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

5 Significant accounting policies (continued)

5.14 Impairment testing of non financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.15 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies Law and the Parent Company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Kuwaiti Dinars.
- Fair value reserve – comprises gains and losses relating to available for sale financial assets.
- Treasury shares reserve – comprises gain and losses resulting from sale of treasury shares.

Accumulated losses include all current and prior period retained losses. All transactions with owners of the Parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in accounts payable and other liabilities when the dividends have been approved in a general meeting.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

5 Significant accounting policies (continued)

5.16 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.17 Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.18 Foreign currency translation

5.18.1 Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.18.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of income. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.18.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

5 Significant accounting policies (continued)

5.18 Foreign currency translation

5.18.3 Foreign operations

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to consolidated statement of income and are recognised as part of the gain or loss on disposal.

5.19 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

6 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

6 Critical accounting judgements and key sources of estimation uncertainty

6.1 Significant management judgments (continued)

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are classified as fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables. All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6.1.3 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

6 Critical accounting judgements and key sources of estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.1 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the

Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

6.2.2 Impairment of available for sale equity investments

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

6.2.3 Impairment of trade receivables

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

6.2.4 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.5 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 28).

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

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31 December 2012

7. Subsidiary companies

Details of subsidiary companies are set out below:

	Country of incorporation	Voting capital held		Activities
		31 Dec. 2012	31 Dec. 2011	
Morocco North Africa Holding Company Ltd.	Morocco	100%	100%	Real estate
Al Sham Gulf Company Limited	Syria	100%	100%	Real estate
Al Sham Gulf Holding Company	Syria	100%	100%	Real estate
SARL EL Awras El Khalijia Promotion Immo	Algeria	100%	100%	Real estate
North Africa Studies and Consultation Co.	Tunisia	-	100%	Real estate
Al-Janzour General Trading WLL (Formerly: Arab Tunisia General Trading WLL)	Kuwait	99%	99%	Real estate
Morocco Mediterranean General Trading WLL	Kuwait	99%	99%	Real estate
Gulf Morocco Co. W.L.L.	Saudi Arabia	100%	-	Real estate

During the year, the Parent Company incorporated a 100% owned subsidiary in Kingdom of Saudi Arabia namely Gulf Morocco Co. W.L.L.

During the year, the parent company liquidated North Africa Studies and Consultation Co., Tunisia. The loss on liquidation recognized represents the difference between the amount received by the Parent Company and the carrying amount of the subsidiary's assets. The subsidiary was yet to commence operations and the asset consisted fully of an amount receivable of KD 13,860.

8. Net loss on financial assets

Net loss on financial assets, analysed by category, is as follows:

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
	KD	KD
Cash and cash equivalents	30,694	64,974
Investments at fair value through statement of income	(2,217)	(14,005)
Available for sale investments	(870,810)	(2,117,982)
Net realised and unrealised loss	(842,333)	(2,067,013)
Net unrealised gain recognised in equity	94,318	556,106
	(748,015)	(1,510,907)

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Notes to the consolidated financial statements (continued)

31 December 2012

9. General and administrative expenses

	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
	KD	KD
Staff cost	254,135	337,351
Administrative expenses	109,400	107,226
	363,535	444,577

10. Refund of fees

During the year, management decided to refund an amount of KD 1,250,000 being part of the fees received relating to one of the projects during 2008 to 2010. The project was stalled for the past few years due to unfavourable economic and political situation in the region. Management therefore decided to voluntary refund part of the fees for yet to commence projects. The project is currently being restructured in order to bring strategic investors to develop the real estate acquired by the project company.

11. Basic and diluted loss per share

Basic and diluted loss per share is calculated by dividing the loss for the year by the weighted average number of shares in issue excluding treasury shares.

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Loss for the year (KD)	(3,130,372)	(2,454,437)
Weighted average number of shares (excluding treasury shares)	145,435,452	145,582,902
Basic and diluted loss per share	(21.52) Fils	(16.86) Fils

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Notes to the consolidated financial statements (continued)

31 December 2012

12. Equipment

	Furniture & fixtures KD	Computers KD	Total KD
31 December 2012:			
Cost			
At 1 January	70,467	15,350	85,817
Additions	1,975	5,325	7,300
Disposals	-	(4,410)	(4,410)
Foreign currency adjustment	(45)	(84)	(129)
At 31 December	72,397	16,181	88,578
Accumulated depreciation			
At 1 January	38,413	11,826	50,239
Charge for the year	14,223	2,086	16,309
Relating to disposals	-	(4,349)	(4,349)
Foreign currency adjustment	(41)	(75)	(116)
At 31 December	52,595	9,488	62,083
Net book value			
At 31 December	19,802	6,693	26,495
31 December 2011:			
Cost			
At 1 January	70,758	15,934	86,692
Additions	-	290	290
Disposals	(260)	(814)	(1,074)
Foreign currency adjustment	(31)	(60)	(91)
At 31 December	70,467	15,350	85,817
Accumulated depreciation			
At 1 January	24,343	10,069	34,412
Charge for the year	14,287	2,445	16,732
Relating to disposals	(195)	(646)	(841)
Foreign currency adjustment	(22)	(42)	(64)
At 31 December	38,413	11,826	50,239
Net book value			
At 31 December	32,054	3,524	35,578

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

13. Investment property

During the year the Group's acquired an investment property inside Kuwait amounting to KD 1,625,130.

14. Financial assets available for sale

	31 Dec 012	31 Dec 2011
	KD	KD
Local unquoted equity securities	653,905	753,773
Foreign unquoted equity securities	6,207,104	7,165,599
Foreign debt securities	1,140,014	1,395,156
	8,001,023	9,314,528

Financial assets amounting to KD3,809,326 (2011: KD4,580,038) are stated at cost less impairment due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value.

Investments in local and foreign unquoted equity securities amounting to KD634,554 (2011: KD634,554) are managed by a related party.

Foreign debt securities represent investments in sukuks of various entities which carry profit rate ranging from 2.50% to 7.50% (2011: 3.88% to 7.5%). These sukuks mature between 2017 and 2019.

During the year, the Group recognised an impairment loss of KD1,085,597 (2011: KD2,294,222) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

15. Investment in associate

The Group holds 20% (2011: 20%) equity interest in Libya General Trading Company WLL, Kuwait. The movement during the year is as follows:

	31 Dec 2012	31 Dec 2011
	KD	KD
Balance at beginning of the year	1,029,668	1,056,140
Share of results	(28,498)	(26,472)
Dividend received	(13,652)	-
Balance at end of the year	<u>987,518</u>	<u>1,029,668</u>
	31 Dec 2012	31 Dec 2011
	KD	KD
Share of assets and liabilities of associate company:		
Assets	1,003,720	1,097,677
Liabilities	(16,202)	(68,009)
	<u>987,518</u>	<u>1,029,668</u>
Share of revenue and loss of associate company:		
Loss	<u>(28,498)</u>	<u>(26,472)</u>

16. Due from/to related parties

	31 Dec 2012	31 Dec 2011
	KD	KD
Due from:		
Libya General Trading Company – WLL (associate)	80,759	318,791
Others	812,331	1,105,747
	<u>893,090</u>	<u>1,424,538</u>
Less: Provision for doubtful debts	(720,357)	-
	<u>172,733</u>	<u>1,424,538</u>
Due to:		
Others	652,824	2,136

During the current and prior years the Group incurred certain expenses on behalf of a project company amounting to KD720,357 (classified as due from related party). These amounts are recoverable from the project company on completion. However, the project suffered from extended delays due to the unfavourable economic and political situation in the region. Management's current assessment shows no amount is recoverable in the near future. Hence, management decided to recognise full provision for the outstanding amount.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

17. Accounts receivable and other assets

	31 Dec 2012	31 Dec 2011
	KD	KD
Accrued revenue	166,460	58,577
Prepaid expenses	9,572	6,914
Advance payment for purchase of investment property	259,842	-
Other receivable	43,927	51,854
	479,801	117,345

The carrying values of the financial assets included above approximate their fair values and are due within one year. The accounts receivable and other assets have been reviewed for impairment, which indicate no provision is required.

During the year, the Group paid an amount of KD259,842 representing 40% of the total value to acquire real estate property outside Kuwait. The remaining balance of KD373,840 is payable by December 2013.

18. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following:

	31 Dec. 2012	31 Dec. 2011
	KD	KD
Saving accounts	1,706,342	3,988,213
Cash in hand	139	630
Bank balances	101,923	24,107
Murabaha investment	500,000	-
	2,308,404	4,012,950

Bank balances and saving accounts carry average profit rate of 1% (31 December 2011: 1.25%). Murabaha investment carries profit rate of 0.6% (31 December 2011: nil) and mature within one month.

19. Share capital

	Authorised		Issued and fully paid	
	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011
	KD	KD	KD	KD
Shares of KD 0.100 each	15,000,000	15,000,000	15,000,000	15,000,000

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Notes to the consolidated financial statements (continued)

31 December 2012

20. Treasury shares

	31 Dec. 2012	31 Dec. 2011
Number of shares	4,586,452	4,560,000
Percentage of issued shares	3.05%	3.04%
Market value (KD)	201,804	218,880
Cost (KD)	337,694	336,659

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

21. Reserves

The Commercial Companies Law and the Parent Company's articles of association require that 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the statutory reserve. The shareholders of Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

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

According to the Parent Company's articles of association and the Commercial Companies Law, 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

There are no restrictions on distribution of voluntary reserve.

No such transfers are required when the Group incurred loss or accumulated losses exist.

22. Accounts payable and other liabilities

	31 Dec. 2012	31 Dec. 2011
	KD	KD
Accounts payables	750	196
Accrued expenses	42,963	46,371
Staff leave provision	13,898	25,081
Dividend payable	21,309	74,559
	78,920	146,207

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Notes to the consolidated financial statements (continued)

31 December 2012

23. Annual general assembly

The directors did not propose dividend for the year ended 31 December 2012.

The Annual General Assembly of the shareholders held on 27 March 2012 approved the consolidated financial statements of the Group for the year ended 31 December 2011 without dividend.

24. Related party transactions

These represent transactions with certain related parties (directors and executive officers of the Parent Company and their related concerns) entered into by the Group and key management compensation.

Amounts due from/to related parties are shown separately in note 16.

Details of significant related party transactions and balances are as follows:

	31 Dec. 2012	31 Dec. 2011
	KD	KD
Transactions included in consolidated statement of financial position:		
Purchase of available sale investments	-	709,592
Transactions included in consolidated statement of income:		
Management fees	111,000	111,000
Compensation of key management personnel:		
Salaries and short term benefits	82,098	100,588
End of service benefits	2,290	9,758
	84,388	110,346

25. Capital commitments

At the financial position date the Group was committed to purchase investments amounting to KD2,025,689 (31 December 2011: KD Nil).

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Notes to the consolidated financial statements (continued)

31 December 2012

26. Segmental information

The Group's reportable segments under IFRS 8 are as follows:

- Local
- International

The revenues and profits generated by the Group from segments are summarised as follows:

	Local KD	International KD	Total KD
31 December 2012			
Revenue	116,137	293,261	409,398
Segment (loss)/profit	(367,091)	(2,691,518)	(3,058,609)
Foreign exchange loss			(71,763)
Loss for the year			(3,130,372)
Total assets	5,881,567	7,770,397	13,651,964
Total liabilities	(110,244)	(650,687)	(760,931)
	5,771,323	7,119,710	12,891,033
Share of results of associate	(28,498)	-	(28,498)
Capital expenditure	(7,300)	-	(7,300)
Depreciation	(16,266)	(43)	(16,309)
Refund of management and placement fees	-	(1,250,000)	(1,250,000)
Impairment of financial assets available for sale	(99,868)	(985,729)	(1,085,597)
Purchase of investment property	(1,625,130)	-	(1,625,130)
31 December 2011			
Revenue	111,729	199,850	311,579
Segment (loss)/profit	(2,636,745)	192,793	(2,443,952)
Foreign exchange loss			(10,485)
Loss for the year			(2,454,437)
Total assets	5,972,544	10,047,698	16,020,242
Total liabilities	(187,002)	-	(187,002)
	5,785,542	10,047,698	15,833,240
Share of results of associate	(26,472)	-	(26,472)
Capital expenditure	(290)	-	(290)
Depreciation	(16,620)	(112)	(16,732)
Impairment of financial assets available for sale	(1,109,327)	(1,184,895)	(2,294,222)

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

27. Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risk (including currency risk, price risk and profit rate risk), credit risk and liquidity risk.

The Parent Company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes

The most significant financial risks to which the Group is exposed to are described below.

27.1 Market risk

a) Foreign currency risk

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

The Group mainly operates in Kuwait, the Middle East and North Africa countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Syrian Pound and Saudi Riyal. The Group's financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

The Group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2012	31 Dec. 2011
	KD	KD
US Dollar	1,042,580	921,292
Syrian Pound	2,448	406,930
Saudi Riyal	75,134	-

The foreign currency sensitivity is determined based on US Dollar 3% (2011: 3%), Syrian Pound 20% (2011: 10%) and Saudi Riyal 5% (2011: Nil) increase or decrease in exchange rates. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/(weakened) against the foreign currencies assuming the above sensitivity, then this would have the following impact on the loss for the year and equity:

	Loss for the year	
	31 Dec. 2012	31 Dec. 2011
	KD	KD
US Dollar	± 31,277	± 27,639
Syrian Pound	± 498	± 40,693
Saudi Riyal	± 3,757	-

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

27 Risk management objectives and policies (continued)

27.1 Market risk (continued)

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b) Price risk

The Group is exposed to price risk with respect to its investments. Investments are classified either as financial assets at fair value through profit or loss or available for sale financial assets. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If prices had been 5% higher/lower, the effect on the changes in loss for the years ended 31 December 2012 and 2011 would have been as follows:

	Loss for the year		Equity	
	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011
	KD	KD	KD	KD
Financial assets at fair value through statement of income	2,543	4,282	-	-
Financial assets available for sale	-	-	260,711	260,711

c) Profit rate risk

Profit rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group has no significant interest bearing liabilities. The Group is exposed to interest rate risk with respect to saving accounts and murabaha investment.

The following table illustrates the sensitivity of the loss for the year and equity to a reasonable possible change in profit rates of +1% and -1% (2011: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

The calculations are based on the group's financial instruments held at each financial position date. All over variables are held constant. There is no impact on the group's equity:

	31 Dec. 2012		31 Dec. 2011	
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
Loss for the year	22,063	(22,063)	39,882	(39,882)

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Notes to the consolidated financial statements (continued)

31 December 2012

27 Risk management objectives and policies (continued)

There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis.

27.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the financial position date, as summarized below:

	31 Dec. 2012	31 Dec. 2011
	KD	KD
Due from related parties	172,733	1,424,538
Accounts receivable and other assets	470,229	110,940
Saving accounts	1,706,342	3,988,213
Murabaha investment	500,000	-
Bank balances	101,923	24,107
	2,951,227	5,547,289

Bank balances, saving accounts and murabaha investment are maintained with high credit quality financial institutions. Accounts receivable and due from related parties are presented net of provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

Concentration of financial assets

The Group has investments and other assets amounting to KD3,799,911 (31 December 2011: KD5,254,400) in the Middle East and North Africa (MENA) region representing 28% of total assets as at 31 December 2012 (31 December 2011: 33%) including KD2,043,105 (31 December 2011: KD3,214,043) in Libya and Syria. In addition, the Group is managing real estate construction projects in the region on behalf of its clients, including projects in Libya and Syria. Management is closely monitoring the current political changes the region is witnessing and is taking all the necessary actions to safeguard its assets and activities in the region.

27.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the Group's financial liabilities. The maturities of financial liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

Maturity profile of liabilities at 31 December 2012:

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Notes to the consolidated financial statements (continued)

31 December 2012

27 Risk management objectives and policies (continued)**27.3 Liquidity risk (continued)**

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Liabilities					
Employees' end of service benefits	-	-	-	29,187	29,187
Due to related parties	-	-	652,824	-	652,824
Accounts payable and other liabilities	-	78,920	-	-	78,920
		78,920	652,824	29,187	760,931

Maturity profile of liabilities at 31 December 2011:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Liabilities					
Employees' end of service benefits	-	-	-	38,659	38,659
Due to related parties	-	-	2,136	-	2,136
Accounts payable and other liabilities	196	46,371	99,640	-	146,207
	196	46,371	101,776	38,659	187,002

28. Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2012		31 Dec. 2011	
	Carrying Amount KD	Fair Value KD	Carrying Amount KD	Fair value KD
Financial assets available for sale	3,809,326	4,191,697	4,580,038	4,734,490
Due from related parties	172,733	-	1,424,538	-
Accounts receivable and other assets	479,801	-	117,345	-
Financial assets at fair value through statement of income	-	50,860	-	85,635
Cash and cash equivalents	2,308,404	-	4,012,950	-
	6,770,264	4,242,557	10,134,871	4,820,125
Due to related parties	652,824	-	2,136	-
Accounts payable and other liabilities	78,920	-	146,207	-
	731,744	-	148,343	-

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

28 Summary of financial assets and liabilities by category (continued)

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

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

31 December 2012

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value through profit or loss					
Local managed funds	a	-	50,860	-	50,860
Financial assets available for sale					
Unquoted investments	b	-	-	3,051,683	3,051,683
Foreign debt securities	c	1,140,014	-	-	1,140,014
Net fair value		1,140,014	50,860	3,051,683	4,242,557

31 December 2011

Financial assets at fair value through profit or loss					
Local managed funds	a	-	85,635	-	85,635
Financial assets available for sale					
Unquoted investments	b	-	-	3,339,334	3,339,334
Foreign debt securities	c	1,395,156	-	-	1,395,156
Net fair value		1,395,156	85,635	3,339,334	4,820,125

There have been no significant transfers between levels 1 and 2 during the reporting period.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

28 Summary of financial assets and liabilities by category (continued)

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Local managed funds

The underlying investments in local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted investments

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using models, which include some assumptions that are not supportable by observable market prices or rates.

c) Foreign debt securities

Fair values of foreign debt securities have been determined by reference to their quoted bid prices at the reporting date.

Level 3 fair value measurements

The Group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Financial assets available for sale	
	Unquoted investments	Unquoted investments
	31 Dec. 2012	31 Dec. 2011
	KD	KD
Opening balances	3,339,334	4,877,098
Gains or losses recognised in:		
- Other comprehensive income	(287,651)	(1,537,764)
Closing balance	3,051,683	3,339,334

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in consolidated statement of income, total assets or total liabilities or total equity.

Gulf North Africa Holding Co. - KSC (Closed) and Subsidiaries Kuwait

Notes to the consolidated financial statements (continued)

31 December 2012

29. Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital of the Group comprise of total equity. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.