



**Commercial Real Estate Company K.P.S.C.
and its subsidiaries
State of Kuwait**

Interim Condensed Consolidated Financial Information (Unaudited)
And the review report for the three month period ended 31 March 2014

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Commercial Real Estate Company K.P.S.C.
State of Kuwait

Auditors' Report on Review of Interim Condensed Consolidated Financial Information to the Board of Directors

Introduction

We have reviewed the accompanying interim condensed consolidated financial position of Commercial Real Estate Company K.P.S.C. ("The Company") and its subsidiaries (together referred to as "the Group") as at 31 March 2014, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Company's management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34: "Interim Financial Reporting" Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

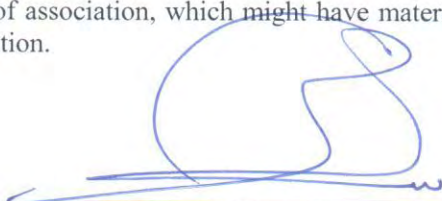
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of accounts of the Company. We further report that nothing have come to our attention indicating any contravention during the three-month period ended 31 March 2014, of Companies' Law No. 25 of 2012, as amended, or the Company's articles of association, which might have materially affected the Group's activities or its consolidated financial position.


Qais M. Al Nisf
Licence No. 38 "A"
BDO Al Nisf & Partners

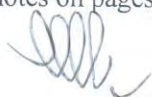
Kuwait: 7 May 2014

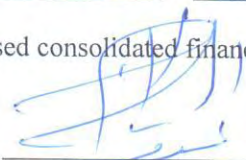

Bader A. Al-Wazzan
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Interim condensed consolidated statement of financial position (Unaudited)
As at 31 March 2014

	Notes	31 March 2014 KD	31 December 2013 (Audited) KD	31 March 2013 KD
Assets				
Non-current assets				
Property, plant and equipment		29,216,684	29,761,263	31,420,214
Projects in progress		23,117,484	21,820,062	16,539,453
Investment properties	3	257,366,022	257,247,496	242,031,924
Investments in associates	4	27,406,192	21,658,409	24,751,248
Available for sale investments	5	26,363,088	29,627,783	28,747,499
		<u>363,439,470</u>	<u>360,115,013</u>	<u>343,490,338</u>
Current assets				
Land and properties held for trading		7,946,871	7,946,871	9,923,452
Investment at fair value through statement of income	6	1,894,875	1,804,292	1,741,055
Accounts receivable and other debit balances	7	3,961,391	6,806,818	10,003,992
Cash and cash equivalents	8	10,421,202	5,747,282	8,605,930
		<u>24,224,339</u>	<u>22,305,263</u>	<u>30,274,429</u>
Total assets		<u>387,663,809</u>	<u>382,420,276</u>	<u>373,764,767</u>
Equity and liabilities				
Equity attributable to the shareholders of the Parent Company				
Share capital		170,198,775	170,198,775	183,481,393
Share premium		1,308,384	1,308,384	1,410,492
Treasury shares	9	(1,252,477)	(532,115)	(19,621,484)
Statutory reserve		28,192,606	28,192,606	26,610,698
Voluntary reserve		23,454,895	23,454,895	22,663,941
Other reserve	10	5,936,236	5,873,323	5,911,284
Retained earnings		20,846,693	29,320,650	36,347,227
Total equity attributable to the shareholders of the Parent Company		<u>248,685,112</u>	<u>257,816,518</u>	<u>256,803,551</u>
Non-controlling interests		10,317,107	10,738,652	10,180,630
Total equity		<u>259,002,219</u>	<u>268,555,170</u>	<u>266,984,181</u>
Liabilities				
Non-current liabilities				
Employees' end of service indemnity		1,156,066	1,118,879	1,021,746
Financing from third party	11	90,851,736	86,969,761	79,760,463
		<u>92,007,802</u>	<u>88,088,640</u>	<u>80,782,209</u>
Current liabilities				
Accounts payable and other credit balances	12	21,328,056	11,286,466	9,488,377
Financing from third party	11	15,325,732	14,490,000	16,510,000
		<u>36,653,788</u>	<u>25,776,466</u>	<u>25,998,377</u>
Total liabilities		<u>128,661,590</u>	<u>113,865,106</u>	<u>106,780,586</u>
Total equity and liabilities		<u>387,663,809</u>	<u>382,420,276</u>	<u>373,764,767</u>

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.


Abdul Fatah M.R. Marafie
Chairman and Managing Director


Adwan M. Al-Adwani
Vice Chairman

Interim condensed consolidated statement of income (Unaudited)
For the three month period ended 31 March 2014

	Notes	For the three month period ended 31 March	
		2014	2013
		KD	KD
Revenues			
Net profit from investment properties	13	2,786,539	2,319,856
Profits on sale of land and properties held for trading		-	5,847,541
Net hotel losses	14	(87,135)	(170,742)
Net profits/(losses) from investment in associate companies		281,354	(183,951)
Net gain/ (loss) from investments	15	261,857	(570,991)
Currency valuation differences		(7,797)	(117,038)
Reversal of provision for doubtful debts	7	294,174	-
Other income		33,039	35,242
Total revenues		3,562,031	7,159,917
Expense and other charges			
Administrative expenses and other charges		588,033	515,856
Financing charges		1,057,408	1,105,780
Total expenses		1,645,441	1,621,636
Net profit for the period before deductions		1,916,590	5,538,281
Contribution to Kuwait Foundation for the Advancement of Sciences		(12,911)	(49,133)
National Labor Support Tax		(36,508)	(136,209)
Zakat Expense		(14,597)	(54,484)
Net profit for the period		1,852,574	5,298,455
Distributed as follows:			
Shareholders of the Parent Company		1,671,094	5,219,349
Non-controlling interests		181,480	79,106
		1,852,574	5,298,455
Basic EPS (fils)	16	0.99	3.07

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income (Unaudited)
For the three month period ended 31 March 2014

	Note	For the three month period ended 31 March	
		2014	2013
		KD	KD
Net profit for the period		1,852,574	5,298,455
Other comprehensive income items:			
<i>Items that may be reclassified subsequently to the statement of income:</i>			
Change in fair value reserve	10	10,065	360,929
Group's share in associates' reserves	10	52,848	(122,709)
Total other comprehensive income items		62,913	238,220
Total comprehensive income for the period		1,915,487	5,536,675
Distributed as follows:			
Shareholders of the Parent Company		1,734,007	5,457,569
Non-controlling interests		181,480	79,106
Total comprehensive income for the period		1,915,487	5,536,675

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)
For the three month period ended 31 March 2014

	Equity attributable to shareholders of the Company								Total equity attributable to shareholders of the Parent Company	Non-Controlling interests	Total equity
	Share Capital	Share Premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 10)	Retained earnings	to			
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2013	183,481,393	1,410,492	(19,502,341)	26,610,698	22,663,941	5,673,064	30,991,571	251,328,818	14,119,756	265,448,574	
Total comprehensive income for the period	-	-	-	-	-	238,220	5,219,349	5,457,569	79,106	5,536,675	
Purchase of treasury shares	-	-	(119,143)	-	-	-	-	(119,143)	-	(119,143)	
Effect of purchase of share in a subsidiary	-	-	-	-	-	-	136,307	136,307	(136,307)	-	
Change in non-controlling interests	-	-	-	-	-	-	-	-	(3,881,925)	(3,881,925)	
Balance as at 31 March 2013	183,481,393	1,410,492	(19,621,484)	26,610,698	22,663,941	5,911,284	36,347,227	256,803,551	10,180,630	266,984,181	
Balance as at 1 January 2014	170,198,775	1,308,384	(532,115)	28,192,606	23,454,895	5,873,323	29,320,650	257,816,518	10,738,652	268,555,170	
Total comprehensive income for the period	-	-	-	-	-	62,913	1,671,094	1,734,007	181,480	1,915,487	
Purchase of treasury shares	-	-	(720,362)	-	-	-	-	(720,362)	-	(720,362)	
Cash dividends (Note 21)	-	-	-	-	-	-	(10,145,051)	(10,145,051)	-	(10,145,051)	
Change in non-controlling interests	-	-	-	-	-	-	-	-	(603,025)	(603,025)	
Balance as at 31 March 2014	170,198,775	1,308,384	(1,252,477)	28,192,606	23,454,895	5,936,236	20,846,693	248,685,112	10,317,107	259,002,219	

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (Unaudited)
For the three month period ended 31 March 2014

	Notes	For the three month period ended 31 March	
		2014 KD	2013 KD
Operating activities:			
Net profit for the period		1,852,574	5,298,455
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		554,180	554,881
Write back of provision for doubtful debts		(294,174)	-
Net profits/(losses) from investments in an associates		(281,355)	183,951
Net (losses)/(profits) from investments	15	(261,857)	570,991
Profits from currency valuation differences		7,797	117,038
Financing charges		1,057,408	1,105,780
Employees' end of service indemnity during the period		54,682	44,087
<i>Operating profit before working capital changes:</i>		2,689,255	7,875,183
Land and properties held for trading		-	476,679
Investment at fair value through statement of income		(30,368)	(161,326)
Accounts receivable and other debit balances		2,845,427	(585,271)
Accounts payable and other credit balances		356,756	(345,731)
<i>Cash from operating activities</i>		5,861,070	7,259,534
Provision for employees' end of service indemnity paid		(17,495)	(100,893)
<i>Net cash from operating activities</i>		5,843,575	7,158,641
Investing activities:			
Paid for purchase of property, plant and equipment		(9,601)	-
Payments for projects in progress		(1,297,422)	(837,053)
Paid for purchase of investment properties	3	(88,526)	(247,282)
Paid for purchase of interests in associates	4	-	(2,717,215)
Paid for purchase of available for sale investments		(1,844,646)	(126,170)
Proceeds from sale of available for sale investments		-	311,454
Cash received from murabaha with banks and financial institutions		2,000,000	3,000,000
Cash dividends received		201,642	84,435
<i>Net cash used in investing activities</i>		(1,038,553)	(531,831)
Financing activities:			
Financing from third party		4,709,910	(970,000)
Purchase of treasury shares		(720,362)	(119,143)
Finance charges paid		(1,498,595)	(1,381,419)
Dividend paid		(19,030)	(3,783)
Non-Controlling interests		(603,025)	(3,881,925)
<i>Net cash from/(used in) financing activities</i>		1,868,898	(6,356,270)
Net increase in cash and cash equivalents		6,673,920	270,540
Cash and cash equivalents at beginning of the period		3,747,282	6,235,390
Cash and cash equivalents at end of the period	8	10,421,202	6,505,930

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Notes to interim condensed consolidated financial information (Unaudited)
For the three month period ended 31 March 2014

1. Overview of the Group

The Commercial Real Estate Company - Kuwaiti Shareholding Company - Closed ("the Parent Company") was incorporated under articles of association No. 104/ م/ file No.1 in Kuwait on 4 February 1968 under commercial register No. 11329 and reregistered on 21 December 1981 under No. 239 in accordance with the provision of commercial companies law. The main objectives of the Parent Company comprise of performing various real estate, agricultural, industrial and commercial activities, carrying out contracting, road and building construction, including sale, purchase and lease of land and real estate property, construction of buildings, utilizing of the financial surplus available to the Parent Company by investing it in financial portfolios managed by specialized companies and financial institutions; and establishing real estate funds and portfolio including management of these funds for its own and for third parties or as stated in Company's memorandum (Article No. 5) and Article of Association (Article No. 4). The Parent Company's management shall carry out all its objectives for which it have been established in accordance with the Islamic Sharia principles.

The head office of the Company is located at Jaber Al-Mubarak Street, Commercial Real Estate Company's Building, Sharq, P.O. Box. 4119 Safat, 13042 Kuwait.

The Company has been registered in the Kuwait Stock Exchange on 21 December 2004.

The interim condensed consolidated financial information includes the interim condensed financial information of the Parent Company and its subsidiaries (together referred to as "the Group").

Subsidiary name	Activity	Country of incorporation	Shareholding percent		
			31 March 2014	31 December 2013 (audited)	31 March 2013
Al-Motajara Real Estate Company	Investment properties	Kuwait	70.30%	70.30%	69.86%
Missoni Hotel	Hotel services	Kuwait	100%	100%	100%

The total assets and liabilities of consolidated subsidiaries amounted to KD 36,568,600 and KD 1,974,798 respectively as at 31 March 2014 (31 December 2013: KD 37,247,970 and KD 1,221,387 respectively and 31 March 2013: KD 34,855,391 and KD 1,077,063 respectively). The total business results of subsidiaries amounted to KD 523,839 for the period ended 31 March 2014 (31 December 2013: KD 3,682,837 and for the period ended 31 March 2013: KD 298,520).

On 26 November 2012, the Companies' Law No. 25 of 2012 has been issued and published in the official gazette on 29 November 2012 to replace the Commercial Companies Law No. 15 of 1960. Subsequently on 27 March 2013, certain articles of the Companies' Law have been amended by virtue of Law Decree No. 97 of 2013 ("Decree").

In accordance with articles No. (2) and (3) of the Decree, the executive regulations that will be issued by the Minister of Commerce and Industry will determine the basis and rules to be applied by the Company to adjust its status according to the Companies' Law, as amended.

This interim condensed consolidated financial information was authorized for issue by Company's board of director's on 7 May 2014.

Notes to interim condensed consolidated financial information (Unaudited)
For the three month period ended 31 March 2014

2. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with the International Accounting Standard 34: "Interim Financial Reporting". The interim condensed consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards (IFRS). In the opinion of management, all adjustments considered necessary and the regular accruals for a fair presentation have been included in the interim condensed consolidated financial information.

The operating results for the three-month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013.

The accounting policies, used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2013.

▪ *Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)*

Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries;
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

The amendments became effective as of 1 January 2014. The adoption of these amendments did not have impact on the Group.

▪ *IAS 32 Offsetting Financial Assets and Financial Liabilities*

The amendment to IAS 32 Financial Instruments: Presentation clarifies certain aspects because of diversity in application of the requirements on offsetting, focusing on the following aspects:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts;
- the unit of account for applying the offsetting requirements.

The amendments became effective as of 1 January 2014. The adoption of these amendments did not have impact on the Group.

Notes to interim condensed consolidated financial information (Unaudited)
For the three month period ended 31 March 2014

2. Significant accounting policies (Continued)

Basis of preparation (Continued)

▪ **IAS 36: Recoverable Amount Disclosures for Non-Financial Assets**

The amendment to IAS 36 Impairment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The amendments became effective as of 1 January 2014. The adoption of these amendments did not have impact on the Group.

▪ **IAS 39: Novation of Derivatives and Continuation of Hedge Accounting**

The amendment to IAS 39 Financial Instruments: Recognition and Measurement makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The amendments became effective as of 1 January 2014. The adoption of these amendments did not have impact on the Group.

▪ **IFRIC 21 Levies**

The interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time;
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

The amendments became effective as of 1 January 2014. The adoption of these amendments did not have impact on the Group.

3. Investment properties

	31 March 2014 KD	31 December 2013 (Audited) KD	31 March 2013 KD
Balance as at the beginning of the period/year	257,247,496	241,784,642	241,784,642
Additions	88,526	563,873	247,282
Change in fair value	-	14,898,981	-
Balance at the end of the period/year	257,336,022	257,247,496	242,031,924

Notes to interim condensed consolidated financial information (Unaudited)
For the three month period ended 31 March 2014

4. Investments in associates

	Country of incorporation	Principal activity	Percentage Contribution %	31 March 2014 KD	31 December 2013 (audited) KD	31 March 2013 KD
Hajar Tower Real Estate Company	Kuwait	Investment properties	20.00	8,320,132	8,320,132	8,265,380
Bayan Real Estate Company	Saudi Arabia	Investment properties	21.68	5,413,580		
Al-Salmiya Group Co.	Kuwait	Investment properties	28.13	5,359,741	5,359,741	4,832,708
Kuwait Resorts Company	Kuwait	Services Holding	32.96	4,208,338	3,872,673	2,798,383
Afkar Holding Company	Kuwait	Company	19.35	2,781,858	2,783,320	2,577,545
Kuwait Commercial Markets Complex Company	Kuwait	Investment properties	22.92	870,184	870,184	1,546,267
Mozon Holding Company	Morocco	Holding Company	34.00	340,000	340,000	837,700
Industrial and Financial Investment Company	Kuwait	Services Financial	17.31	112,359	112,359	112,359
Foras Al-Khalijea Co.	Kuwait	Investment properties	36.00			1,152,223
Omran International Real Estate Development Company	Saudi Arabia	Investment properties	33.33			1,785,195
Spirit Real Estate Development Company	Kuwait	Investment properties	34.05			843,488
				<u>27,406,192</u>	<u>21,658,409</u>	<u>24,751,248</u>

Below is the movement in the investment in associates during the year:

	31 March 2014 KD	31 December 2013 (Audited) KD	31 March 2013 KD
Balance as at the beginning of the period/year	21,658,409	22,340,693	22,340,693
Additions	-	3,337,018	2,717,215
Cash dividends	-	(132,000)	-
Transferred from available for sale investments (Note 5)	5,413,580	-	-
Group's share in associates' reserves	52,848	459,969	(122,709)
Group's share in associates' business results	110,052	452,326	(183,951)
Net impairment reversal/(losses)	171,303	(4,799,597)	-
	<u>27,406,192</u>	<u>21,658,409</u>	<u>24,751,248</u>

Notes to interim condensed consolidated financial information (Unaudited)
For the three month period ended 31 March 2014

4. Investments in associates (Continued)

During the period, the Group signed a swap contract for one of its investments classified as available for sale investments of KD 2,585,353 which did not result in profit or loss. As a result of this swap the Group's share in the investment subject of the contract has increased to become an associate at ownership percentage of 21.68% under the Group's investments in associates with a total value of KD 5,413,580 which represents its fair value at transfer date.

Investment in Al-Salmiya Group Company is pledged against finance granted to the associate.

The Group's share in associates' results has been recorded based on the latest available financial statements as of 31 December 2013 and the latest available financial information as at 31 March 2014.

5. Available for sale investments

	31 March 2014	31 December 2013 (Audited)	31 March 2013
	KD	KD	KD
Investment in quoted shares	1,493,177	1,187,619	1,208,275
Investment in unquoted shares	17,300,117	20,869,050	20,141,676
Investment in quoted real estate funds	-	-	4,448,306
Investment in unquoted real estate funds	7,569,794	7,571,114	2,949,242
	<u>26,363,088</u>	<u>29,627,783</u>	<u>28,747,499</u>

During the period, available for sale investments have been transferred to investments in associates represented in Bayan Real Estate in Saudi Arabia so the ownership became 21.68% with a total value of KD 5,413,580 which represents the fair value at transfer date.

6. Investment at fair value through statement of income

Investments at fair value through profit or loss represent local quoted investments held for trading, and are valued based on the last bid price.

7. Accounts receivable and other debit balances

	31 March 2014	31 December 2013 (Audited)	31 March 2013
	KD	KD	KD
Trade receivables	4,683,922	7,060,902	8,511,259
Non-trade receivables	-	1,950,000	1,950,000
Due from related parties (see note 17)	684,151	1,171,513	1,704,672
Specific provision for doubtful debts	(2,595,710)	(4,545,709)	(3,398,557)
	<u>2,772,363</u>	<u>5,636,706</u>	<u>8,767,374</u>
Prepaid expenses	12,500	26,010	12,500
Subscription in shares under allocation	-	-	50,000
Refundable deposits	160,226	160,226	129,001
Due from subsidiaries under liquidation	42,272	42,272	144,863
Other debit balances	974,030	941,604	900,254
	<u>3,961,391</u>	<u>6,806,818</u>	<u>10,003,992</u>

Notes to interim condensed consolidated financial information (Unaudited)
For the three month period ended 31 March 2014

7. Accounts receivable and other debit balances (*Continued*)

Movement in provision for doubtful debts is as follows:

	31 March 2014	31 December 2013 (Audited)	31 March 2013
	KD	KD	KD
Balance at beginning of the period/year	4,545,709	3,398,557	3,398,557
Provision created during the period/year	-	1,147,152	-
Write back of provision for doubtful debts	(294,171)	-	-
Bad debts	(1,655,828)	-	-
Balance at end of the period/year	<u>2,595,710</u>	<u>4,545,709</u>	<u>3,398,557</u>

During the period, the amount due from one of the non-trade parties receivable was settled at KD 1,950,000 against which an amount of provision has been fully provided. Also, shares of KD 294,075 has been transferred for the benefit of the Group and were classified as available for sale investments against write-off the remaining debt of KD 1,655,925 in implementation of the settlement agreement approved previously by the board of directors during 2011.

8. Cash and cash equivalents

	31 March 2014	31 December 2013 (Audited)	31 March 2013
	KD	KD	KD
Cash in hand	19,896	29,153	14,419
Cash at banks and financial institutions	10,302,805	1,610,900	6,451,048
Cash at investment portfolios	98,501	107,229	140,463
Murabaha with banks and financial institutions	-	4,000,000	2,000,000
Cash and cash equivalents	<u>10,421,202</u>	<u>5,747,282</u>	<u>8,605,930</u>
Less:			
Cash retained against bank guarantees	-	-	(2,100,000)
Murabaha with banks and financial institutions maturing within more than three months	-	(2,000,000)	-
Cash and cash equivalents (for the statement of cash flows purposes)	<u>10,421,202</u>	<u>3,747,282</u>	<u>6,505,930</u>
Murabaha yield rate (%)	<u>-</u>	<u>0.87</u>	<u>0.81</u>

9. Treasury shares

	31 March 2014	31 December 2013 (Audited)	31 March 2013
Number of shares (No's)	13,076,451	6,023,971	134,412,649
Percentage of issued shares (%)	0.77	0.35	7.33
Market value	1,216,110	554,205	11,693,900
Charge	1,252,477	532,115	19,621,484

Notes to interim condensed consolidated financial information (Unaudited)
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9. Treasury shares (Continued)

Based on the decision of the Capital Markets Authority on 30 December 2013, the Group's management has locked off a part of the reserves equal to the balance of the treasury shares. This balance is not available for distribution during the period in which the Group retains the treasury shares

10. Other reserve

	Change of fair value reserve	Group's share in associates' reserves	Gain from sale of treasury shares	Property, plant and equipment revaluation surplus	Total
	KD	KD	KD	KD	KD
As at 1 January 2013	2,079,175	(2,120,212)	166,215	5,547,886	5,673,064
Total comprehensive profit for the period	360,929	(122,709)	-	-	238,220
As at 31 March 2013	<u>2,440,104</u>	<u>(2,242,921)</u>	<u>166,215</u>	<u>5,547,886</u>	<u>5,911,284</u>
As at 1 January 2014	1,993,323	(1,667,886)	-	5,547,886	5,873,323
Total comprehensive profits for the period	10,065	52,848	-	-	62,913
As at 31 March 2014	<u>2,003,388</u>	<u>(1,615,038)</u>	<u>-</u>	<u>5,547,886</u>	<u>5,936,236</u>

11. Financing from third party

	31 March 2014	31 December 2013 (Audited)	31 March 2013
	KD	KD	KD
Financing from third party – Non current portion	90,851,736	86,969,761	79,760,463
Financing from third party – current portion	15,325,732	14,490,000	16,510,000
	<u>106,177,468</u>	<u>101,459,761</u>	<u>96,270,463</u>
Cost rate (%)	<u>5 - 3.75</u>	<u>5 - 3.75</u>	<u>5 - 4.5</u>

Finance granted by third party represents murabaha, securitization and loans contracts. Most of the finance granted by third party is defined by contracts over a period of 6 years including a grace period of one year. Part of the contracts is renewed for one year or more during the specified period. The above details represent the financing based on the latest renewal as per the contracts.

Notes to interim condensed consolidated financial information (Unaudited)
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11. Financing from third party (Continued)

Finance granted by third party is secured against mortgage of the following assets.

	31 March 2014	31 December 2013 (Audited)	31 March 2013
	KD	KD	KD
Property, plant and equipment	29,183,338	29,722,663	31,371,781
Projects in progress	13,401,853	12,750,000	9,839,053
Investment properties	154,621,552	207,515,642	207,762,924
Land and properties held for trading	1,228,380	1,228,380	1,224,914

12. Accounts payable and other credit balances

	31 March 2014	31 December 2013 (Audited)	31 March 2013
	KD	KD	KD
Trade receivables	1,992,094	2,440,037	2,896,885
Retentions	1,509,100	1,383,690	1,673,219
Accrued expense	2,319,375	2,796,514	2,011,746
Income received in advance	801,970	703,696	757,367
Provision for liabilities	1,354,597	1,354,597	-
Due to related parties (see note 17)	11,212	11,212	3,331
Kuwait Foundation for the Advancement of Science	191,742	178,831	151,396
National Labor Support Tax	453,312	416,804	445,078
Zakat Expense	193,240	178,643	167,648
Dividends payable to shareholders	10,987,270	267,452	150,791
Other credit balances	1,514,144	1,554,990	1,230,916
	<u>21,328,056</u>	<u>11,286,466</u>	<u>9,488,377</u>

13. Net profit from investment properties

	For the three month period ended 31 March	
	2014	2013
	KD	KD
Real estate rental income	3,352,281	2,905,015
Operating expenses	(565,742)	(585,159)
	<u>2,786,539</u>	<u>2,319,856</u>

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14. Net hotel losses

	For the three month period ended 31 March	
	2014	2013
	KD	KD
Net hotel income	1,498,893	1,363,462
Operating expenses	(1,037,642)	(985,489)
Depreciation of the period	(548,386)	(548,715)
	(87,135)	(170,742)

15. Net gain/ (loss) from investments

	For the three month period ended 31 March	
	2014	2013
	KD	KD
Available for sale investments		
Cash dividends	159,598	73,641
Sale losses	-	(21,473)
Impairment losses	-	(673,174)
	159,598	(621,006)
Financial investments at fair value		
Change in fair value	60,278	25,113
Sale (losses)/profits	(63)	14,108
Cash dividends	42,044	10,794
	102,259	50,015
	261,857	(570,991)

16. Basic EPS

Basic earnings per share is computed by dividing the net profit attributable to the Parent Company's shareholders for the period by the weighted average number of outstanding ordinary shares less weighted average number of outstanding treasury shares during the period as follows:

	For the three month period ended 31 March	
	2014	2013
Net profit for the period (KD)	1,671,094	5,219,349
Weighted average number of outstanding shares during the period (shares)	1,692,782,192	1,701,251,482
Basic EPS (fils)	0.99	3.07

17. Related party transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, and associates in which the company has representatives in their board. The transactions with related parties are subject to approval of the shareholders at the general assembly. Significant related party transactions and balances resulting therefrom were as follows:

Notes to interim condensed consolidated financial information (Unaudited)
For the three month period ended 31 March 2014

17. Related party transactions (*Continued*)

	31 March 2014	31 December 2013 (Audited)	31 March 2013
	KD	KD	KD
Condensed Consolidated interim statement of financial position			
Accounts receivable and other debit balances	684,151	1,171,513	1,704,672
Accounts payable and other credit balances	11,212	11,212	3,331
Interim condensed consolidated statement of income			
Key management benefits	112,495	965,131	119,491

18. Capital commitments and contingent liabilities

	31 March 2014	31 December 2013 (Audited)	31 March 2013
	KD	KD	KD
Capital commitments			
Uncalled capital – investments	911,268	911,268	562,213
Contract for projects under development	1,631,356	2,169,282	2,284,542
	<u>2,542,624</u>	<u>3,080,550</u>	<u>2,846,755</u>
Contingent liabilities			
Letters of guarantee	<u>4,714,944</u>	<u>4,714,944</u>	<u>2,696,944</u>

Notes to interim condensed consolidated financial information (Unaudited)
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19. Segment information

The Group is organized into two major business segments; real estate and investment. Both segments results are reported senior executive management. Further, Group's operating results, assets and liabilities are reported according to geographical areas in which it operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases followed in preparation of interim condensed consolidated financial statements. Business segment analysis in line with internal reports submitted to management is as follows:

	For the three month period ended 31 March 2014			For the three month period ended 31 March 2013		
	Real estate sector	Investment sector	Total	Real estate sector	Investment sector	Total
	KD	KD	KD	KD	KD	KD
Income/ (loss)	3,265,146	543,211	3,808,357	8,581,814	(754,942)	7,826,872
Direct cost	(771,769)	(63,740)	(835,509)	(774,998)	(22,045)	(797,043)
Gross profit	2,493,377	479,471	2,972,848	7,806,816	(776,987)	7,029,829
Unallocated costs			(1,112,477)			(1,614,336)
Currency valuation differences			(7,797)			(117,038)
Net profit for the period			1,852,574			5,298,455

Geographic distribution

- Assets and liabilities geographic distribution

	Assets		Liabilities	
	31 March 2014	31 December 2013 (Audited)	31 March 2014	31 March 2013 (Audited)
	KD	KD	KD	KD
State of Kuwait	348,858,031	342,743,540	87,582,782	72,374,031
Gulf countries	25,825,354	28,540,960	41,078,808	41,491,075
Other	12,980,424	11,135,776	-	-
	387,663,809	382,420,276	128,661,590	113,865,106
				106,780,586

Notes to interim condensed consolidated financial information (Unaudited)
For the three month period ended 31 March 2014

19. Segment information (Continued)

– Business results

	For the three month period ended 31 March 2014			For the three month period ended 31 March 2013				
	State of Kuwait	Gulf countries	Other	Total	State of Kuwait	Gulf countries	Other	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Total income / (loss)	3,460,165	14,509	87,357	3,562,031	7,933,114	(790,212)	17,015	7,159,917
Total expenses	(1,325,318)	(384,139)	-	(1,709,457)	(1,757,919)	(103,543)	-	(1,861,462)
Net profit	2,134,847	(369,630)	87,357	1,852,574	6,175,195	(893,755)	17,015	5,298,455

Notes to interim condensed consolidated financial information (Unaudited)
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20. Fair value estimation

The fair values of financial assets and liabilities are estimated as follows.

Level 1: Quoted prices in active markets for quoted financial instruments.

Level 2: Quoted prices in an active market for similar instruments or prices quoted by managers of investment funds or other valuation methods where all the important inputs are based on comparative market data either directly or indirectly.

Level 3: Valuation methods in which the inputs that are not based on any comparative market data.

Fair value of financial assets and liabilities of the Group measured at fair value on a periodical basis is as follows:

Financial assets	Fair value as at			Date of Business Evaluation	Fair value level	Valuation methods and key inputs	Significant unobservable inputs	Relation of unobservable inputs with fair value
	31 March 2014 KD	31 December 2013 (Audited) KD	31 March 2013 KD					
Available for sale investments	1,493,177	1,187,619	1,208,275	2014/3/31	Level 1	Last bid price	N/A	N/A
Available for sale investments	23,752,859	21,909,531	18,466,156	2013/12/31	Level 2	Net unite value announced	N/A	N/A
Available for sale investments	588,833	6,002,414	8,810,204	2013/12/31	Level 3	Technical valuation methods	market risk adjusted carrying amount	Whenever market risks increases the fair value decreases
Investment at fair value through statement of income	1,894,875	1,804,292	1,741,055	2014/3/31	Level 1	Last bid price	N/A	N/A

Fair value of financial assets and liabilities of the Group not measured at fair value on a periodical basis is as follows (provided that disclosing the fair value):

	31 March 2014		31 December 2013		31 March 2013	
	Carrying amount KD	Fair value KD	Carrying amount KD	Fair value KD	Carrying amount KD	Fair value KD
Financial assets						
Loans and receivables						
- Due from related parties	684,151	684,151	1,171,513	1,171,513	1,704,672	1,704,672
- Trade and non-trading receivable	3,277,240	3,277,240	5,635,305	5,635,305	8,299,320	8,299,320
- Cash and cash equivalents	10,421,202	10,421,202	5,747,282	5,747,282	8,605,930	8,605,930
	<u>14,382,593</u>	<u>14,382,593</u>	<u>12,554,100</u>	<u>12,554,100</u>	<u>18,609,922</u>	<u>18,609,922</u>
Financial liabilities						
Financial liabilities (at amortized cost)						
- Financing from third party	106,177,468	103,342,127	101,459,761	99,406,178	96,270,463	95,461,289
- Accounts payable and other credit balances	21,328,056	21,328,056	11,286,466	11,286,466	9,488,377	9,488,377
	<u>127,505,524</u>	<u>124,670,183</u>	<u>112,746,227</u>	<u>110,692,644</u>	<u>105,758,840</u>	<u>104,949,666</u>

Notes to interim condensed consolidated financial information (Unaudited)
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20. Fair value estimation (Continued)

	Fair value hierarchy within level (3)		
	31 December		
	31 March 2014	2013 (audited)	31 March 2013
	KD	KD	KD
Financial assets			
Loans and receivables	14,382,593	12,554,100	18,609,922
Total	14,382,593	12,554,100	18,609,922
Financial liabilities			
Financial liabilities (at amortized cost)	124,670,183	110,692,644	104,949,666
Total	124,670,183	110,692,644	104,949,666

The fair value of financial assets and liabilities are categorized under level 3 below by using recognized valuation technique such as discounted cash flows, price multiple or adjusted fair value.

Reconciliation of Level 3 fair value measurements is as follows:

	Unquoted available for sale investments		
	31 December		
	31 March 2014	2013 (audited)	31 March 2013
	KD	KD	KD
Balance as at the beginning of the period/year	6,002,414	8,810,204	8,810,204
Total profits or losses:			
- In the statement of income	-	(1,509,035)	-
- In the statement of other comprehensive income	-	(330,412)	-
Purchases	-	50,000	-
Disposals/adjustments	(5,413,581)	-	-
Transfers out of level 3	-	(1,018,343)	-
Balance at the end of the period/year	588,833	6,002,414	8,810,204

Transfers out of level 3 represent investments carried at cost since they are acquired recently.

21. Cash dividends

On 26 March 2014 the annual general assembly was held and approved distribution of cash dividends at 6% (6 fils per share) to the shareholders of record as of the date of the general assembly.