



**Commercial Real Estate Company - K.P.S.C
And its Subsidiary
State of Kuwait**

**Interim condensed consolidated financial information
for the three months ended 31 March 2013
and review report (Unaudited)**

Interim condensed consolidated financial information
for the three months ended 31 March 2013 and review report (Unaudited)

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

Report on review of interim condensed consolidated financial information to the Board of Directors

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Real Estate Company - K.P.S.C. ("The Company") and its subsidiary (together referred to as "the Group") as of 31 March 2013, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated 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 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

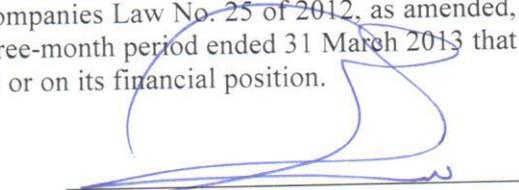
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting."

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Company. To the extent of information made available to us, we have not become aware of any violations of the Companies Law No. 25 of 2012, as amended, or of the Company's Articles of Association during the three-month period ended 31 March 2013 that might have had a material effect on the Group's Activities or on its financial position.



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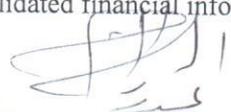
Kuwait: 13 May 2013

Interim condensed consolidated statement of financial position (Unaudited)
As of 31 March 2013

	Note	31 March 2013 KD	31 December 2012 (audited) KD	31 March 2012 KD
Assets				
Non-current assets				
Property, plant and equipment		31,420,214	31,975,095	32,997,002
Projects in progress		16,539,453	15,702,400	8,354,824
Investment properties	3	242,031,924	241,784,642	238,631,398
Investments in associates	4	24,751,248	22,340,693	25,136,715
Available for sale investments	5	28,747,499	29,266,501	29,435,764
		<u>343,490,338</u>	<u>341,069,331</u>	<u>334,555,703</u>
Current assets				
Land and real estate held for trading		9,923,452	10,400,131	9,351,263
Investments at fair value through profit or loss	6	1,741,055	1,540,508	1,159,132
Receivables and other debit balances	7	10,003,992	9,418,721	27,236,117
Cash and cash equivalents	8	8,605,930	11,335,390	18,151,014
		<u>30,274,429</u>	<u>32,694,750</u>	<u>55,897,526</u>
Total assets		<u>373,764,767</u>	<u>373,764,081</u>	<u>390,453,229</u>
Equity and liabilities				
Equity attributable to shareholders of the Company				
Share capital		183,481,393	183,481,393	183,481,393
Share premium		1,410,492	1,410,492	1,410,492
Treasury shares	9	(19,621,484)	(19,502,341)	(17,669,302)
Statutory reserve		26,610,698	26,610,698	25,461,424
Voluntary reserve		22,663,941	22,663,941	22,089,304
Other reserves	10	5,911,284	5,673,064	6,179,909
Retained earnings		36,347,227	30,991,571	30,631,815
Total equity attributable to the shareholders of the Company		<u>256,803,551</u>	<u>251,328,818</u>	<u>251,585,035</u>
Non-controlling interests		10,180,630	14,119,756	15,301,691
Total equity		<u>266,984,181</u>	<u>265,448,574</u>	<u>266,886,726</u>
Liabilities				
Non-current liabilities				
Employees' end of service indemnity		1,021,746	1,078,552	1,039,949
Financing from third party – non-current portion	11	79,760,463	80,613,425	92,440,122
		<u>80,782,209</u>	<u>81,691,977</u>	<u>93,480,071</u>
Current liabilities				
Payables and other credit balances		9,488,377	10,113,530	14,076,432
Financing from third party – current portion	11	16,510,000	16,510,000	16,010,000
		<u>25,998,377</u>	<u>26,623,530</u>	<u>30,086,432</u>
Total liabilities		<u>106,780,586</u>	<u>108,315,507</u>	<u>123,566,503</u>
Total equity and liabilities		<u>373,764,767</u>	<u>373,764,081</u>	<u>390,453,229</u>

The accompanying notes 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 months ended 31 March 2013

	Note	Three months ended 31 March	
		2013 KD	2012 KD
Income			
Net gain from investment properties	12	2,319,856	2,240,893
Gain on sale of land and real estate held for trading		5,847,541	-
Net hotel losses	13	(170,742)	(952,383)
Net (losses)/gains from investments in associates		(183,951)	687,049
Net (losses)/gains from investments	14	(570,991)	168,622
Foreign currency exchange differences		(117,038)	11,305
Other income		35,242	394,946
Total revenue		<u>7,159,917</u>	<u>2,550,432</u>
Expenses and other charges			
Administrative expenses and other charges		(515,856)	(518,429)
Finance costs		(1,105,780)	(1,557,814)
Total expenses		<u>(1,621,636)</u>	<u>(2,076,243)</u>
Net profit before deductions		5,538,281	474,189
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(49,133)	(4,385)
National Labor Support Tax ("NLST")		(136,209)	(6,590)
Zakat expense		(54,484)	(4,872)
Net profit for the period		<u>5,298,455</u>	<u>458,342</u>
Distributed as follows:			
Company shareholders		5,219,349	223,623
Non-controlling interests		79,106	234,719
		<u>5,298,455</u>	<u>458,342</u>
Earnings per share attributable to the shareholders of the Company (fils)	15	<u>3.07</u>	<u>0.13</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income (Unaudited)
For the three months ended 31 March 2013

	Note	Three months ended	
		31 March	
		2013	2012
		KD	KD
Net profit for the period		5,298,455	458,342
Other comprehensive income items:			
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income:</i>			
Available for sale investments	10	360,929	75,804
Group's share in associates' reserves		(122,709)	324,308
Total other comprehensive income		<u>238,220</u>	<u>400,112</u>
Total comprehensive income for the period		<u>5,536,675</u>	<u>858,454</u>
Attributable to:			
Company shareholders		5,457,569	623,735
Non-controlling interests		79,106	234,719
Total comprehensive income for the period		<u>5,536,675</u>	<u>858,454</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)

For the three months ended 31 March 2013

Equity attributable to shareholders of the Company

	Share capital		Share premium		Treasury shares		Statutory reserve		Voluntary reserve		Other reserves (note 10)		Retained earnings		Total		Non-controlling interests		Total equity	
	KD		KD		KD		KD		KD		KD		KD		KD		KD		KD	
Balance as at 1 January 2012	183,481,393	-	1,410,492	-	(17,410,021)	-	25,461,424	-	22,089,304	-	5,779,797	-	30,408,192	-	251,220,581	-	16,066,182	-	267,286,763	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	400,112	-	-	223,623	-	623,735	-	234,719	-	858,454	-
Purchase of treasury shares	-	-	-	-	(259,281)	-	-	-	-	-	-	-	-	-	(259,281)	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2012	<u>183,481,393</u>	<u>-</u>	<u>1,410,492</u>	<u>-</u>	<u>(17,669,302)</u>	<u>-</u>	<u>25,461,424</u>	<u>-</u>	<u>22,089,304</u>	<u>6,179,909</u>	<u>6,179,909</u>	<u>6,179,909</u>	<u>30,631,815</u>	<u>-</u>	<u>251,585,035</u>	<u>-</u>	<u>15,301,691</u>	<u>(999,210)</u>	<u>266,886,726</u>	<u>(999,210)</u>
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)	-	-	-	-	-
Effect of acquisition of a share in a subsidiary (note 17)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	136,307	-	136,307	-	(136,307)	-	-	-
Balance as at 31 March 2013	<u>183,481,393</u>	<u>-</u>	<u>1,410,492</u>	<u>-</u>	<u>(19,621,484)</u>	<u>-</u>	<u>26,610,698</u>	<u>-</u>	<u>22,663,941</u>	<u>5,911,284</u>	<u>5,911,284</u>	<u>5,911,284</u>	<u>36,347,227</u>	<u>-</u>	<u>256,803,551</u>	<u>-</u>	<u>10,180,630</u>	<u>(3,881,925)</u>	<u>266,984,181</u>	<u>(3,881,925)</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (Unaudited)
For the three months ended 31 March 2013

	Note	Three months ended 31 March	
		2013 KD	2012 KD
Cash flows from operating activities:			
Net profit for the period		5,298,455	458,342
<i>Adjustments:</i>			
Depreciation of property, plant and equipment		554,881	1,056,221
Net losses/(gains) from investments in associates		183,951	(687,049)
Net losses/(gains) from investments	14	570,991	(168,622)
Foreign currency exchange differences		117,038	(11,305)
Finance costs		1,105,780	1,557,814
Provision for employees' end of service indemnity		44,087	49,699
<i>Operating profits before changes in working capital</i>		<u>7,875,183</u>	<u>2,255,100</u>
Land and real estate held for trading		476,679	-
Investments at fair value through profit or loss		(161,326)	(135,172)
Receivables and other debit balances		(585,271)	8,200,350
Payables and other credit balances		(345,731)	159,743
<i>Cash flows from operating activities</i>		<u>7,259,534</u>	<u>10,480,021</u>
Employees' end of service indemnity paid		(100,893)	(4,788)
<i>Net cash flows generated from operating activities</i>		<u>7,158,641</u>	<u>10,475,233</u>
Cash flows from investing activities:			
Paid for property, plant and equipment		-	(167,556)
Paid for projects in progress		(837,053)	(537,581)
Paid for investment properties	3	(247,282)	(2,089,393)
Paid for purchase of shares in associates	4	(2,717,215)	(1,763,834)
Paid for purchase of available for sale investments		(126,170)	-
Proceeds from sale of available for sale investments		311,454	1,040,751
Proceeds from sale of investments in associates		-	258,516
Murabaha at banks and financial institutions		3,000,000	1,889,404
Restricted cash against bank guarantees		-	412,777
Collected dividends		84,435	63,569
<i>Net cash flows used in investing activities</i>		<u>(531,831)</u>	<u>(893,347)</u>
Cash flows from financing activities:			
Financing from third party		(970,000)	(807,421)
Purchase of treasury shares		(119,143)	(259,281)
Finance costs paid		(1,381,419)	(1,380,961)
Dividend paid		(3,783)	(126,000)
Non-controlling interests		(3,881,925)	-
<i>Net cash flows used in financing activities</i>		<u>(6,356,270)</u>	<u>(2,573,663)</u>
Net change in cash and cash equivalents		270,540	7,008,223
Cash and cash equivalents at beginning of the period	8	<u>6,235,390</u>	<u>3,882,195</u>
Cash and cash equivalents at end of the period	8	<u>6,505,930</u>	<u>10,890,418</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (Unaudited)
For the three months ended 31 March 2013

1. Overview of the Group

Commercial Real Estate Company was incorporated as a Kuwaiti Shareholding Company Closed "the Company" under Memorandum of Association No. 104/M/ Vol. 1 on 4 February 1968 under Commercial Register No. 11329 on 28 February 1968 in accordance with the Companies Law. The main objectives of the 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, utilising of the financial surplus available to the Company by investing it in financial portfolios managed by specialised 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 per the memorandum of associations, article 5 and articles of association, article 4. The 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, Kuwait, P.O. Box. 4119 Safat, 13042 Kuwait.

The Company's shares have been registered in the Kuwait Stock Exchange on 21 December 2004.

The interim condensed consolidated financial information includes the interim financial information of the Company and its subsidiary (note 17) (collectively referred to as "the Group").

Company name	Legal entity	Shareholding percent	
		31 March 2013	31 December 2012 (audited)
Al Mutajara Real Estate Company	K.S.C. (Closed)	69.86%	57.62%

On 26 November 2012, the Companies' Law No. 25 of 2012 was issued and published in the official Gazette on 29 November 2012 to supersede the Commercial Companies' Law No. 15 of 1960. Subsequently on 28 March 2013, certain articles of the Companies' Law have been amended by virtue Law Decree No. 97 of 2013 ("Decree").

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

These interim condensed consolidated financial information were authorised for issue by Company's board of director's on 13 May 2013.

2. Significant accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial information is prepared in accordance with International Accounting Standards no. (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. 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.

Notes to the interim condensed consolidated financial information (Unaudited)
For the three months ended 31 March 2013

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

The operating results for the three-months period ended 31 March 2013 are not necessarily indicative of the results that may be expected for the year ending 31 December 2013.

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 2012.

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 consolidated financial statements for the year ended 31 December 2012.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 "Disclosure of Interest in Other Entities" would result in additional disclosures in the annual consolidated financial statements. Several other new standards and amendments apply for the first time in 2013.

The nature and the impact of each new standard/amendment is described below:

Amendments to IAS 1: "Presentation of Items of Other Comprehensive Income"

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

IAS 1: "Clarification of the requirement for comparative information (Amendment)"

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial information do not include a third balance sheet.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 32: "Tax effects of distributions to holders of equity instruments (Amendment)"

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial information for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34: "Interim financial reporting and segment information for total assets and liabilities (Amendment)"

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment.

IAS 19: "Employee Benefits (Revised 2011)"

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require recognition of changes in defined benefit obligations and fair value changes of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

In case of the Group, the transition to IAS 19 had no impact on the Group's consolidated financial position or performance.

IFRS 7: "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities-Amendments to IFRS 7"

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 "Financial Instruments: Presentation". The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

Notes to the interim condensed consolidated financial information (Unaudited)
For the three months ended 31 March 2013

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 10: “Consolidated Financial Statements and IAS 27 Separate Financial Statements”

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11: “Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures”

The standard replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The Group is yet to assess IFRS 11’s full impact and becomes effective for annual periods beginning on or after 1 January 2013.

The application of this new standard has no impact as the Group had no joint arrangements or ventures.

IFRS 12: “Disclosure of Interests in Other Entities”

IFRS 12 sets out the requirements for disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the effect of IFRS 12 is described in more detail in Note 1 and 15, which includes the effect on the interim condensed consolidated financial information.

IFRS 13: “Fair Value Measurement”

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

Notes to the interim condensed consolidated financial information (Unaudited)
For the three months ended 31 March 2013

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 13: "Fair Value Measurement" (continued)

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16, thereby affecting the interim condensed consolidated financial information for the period.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect on reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Investment properties

	31 March 2013	31 December 2012 (audited)	31 March 2012
	KD	KD	KD
Balance as at beginning of the period/year	241,784,642	236,542,005	236,542,005
Additions	247,282	10,043,962	2,089,393
Sales	-	(10,926,561)	-
Change in fair value	-	6,125,236	-
Balance as at end of the period/year	<u>242,031,924</u>	<u>241,784,642</u>	<u>238,631,398</u>

4. Investments in associates

During the period, the Group subscribed in the capital increase of the associate - Al-Salmiya Group Company by KD 2,500,000. This did not result in any change to ownership percentage. Investment in the associate - Al-Salmyia Group Company is mortgaged against a finance granted to the associate.

Movement analysis on investments in associates is as follows:

	31 March 2013	31 December 2012 (audited)	31 March 2012
	KD	KD	KD
Balance as at beginning of the period/year	22,340,693	22,620,041	22,620,041
Additions	2,717,215	2,021,572	1,763,834
Disposals	-	(862,570)	(245,260)
Cash dividends	-	(132,000)	-
Group's share in associates' reserves	(122,709)	(234,818)	324,308
Group's share of associates' business results	(183,951)	(3,647,902)	321,952
Net impairment losses	-	2,576,370	351,840
	<u>24,751,248</u>	<u>22,340,693</u>	<u>25,136,715</u>

Notes to the interim condensed consolidated financial information (Unaudited)
For the three months ended 31 March 2013

5. Available for sale investments

	31 March 2013	31 December 2012 (audited)	31 March 2012
	KD	KD	KD
Investment in quoted shares	1,208,275	957,004	1,097,671
Investment in unquoted shares	20,141,676	20,911,207	22,425,945
Investment in quoted real estate funds	4,448,306	4,449,048	4,328,741
Investment in unquoted real estate funds	2,949,242	2,949,242	1,583,407
	<u>28,747,499</u>	<u>29,266,501</u>	<u>29,435,764</u>

The fair value of available for sale investments was determined as follows:

- Quoted shares and units: Last bid price.
- Unquoted shares: As at 31 March 2013, the fair value of investments amounting to KD 19,878,812 (31 December 2012: KD 19,975,169 and 31 March 2012: KD 19,950,061) was determined through valuation techniques prepared by management and the remaining balance have been carried at cost, less impairment losses, as their measure of fair value cannot be reliably determined.
- Unquoted real estate funds: Through the net value of the units declared by fund managers.

6. Investments at fair value through profit or loss

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. Receivables and other debit balances

	31 March 2013	31 December 2012 (audited)	31 March 2012
	KD	KD	KD
Trade receivables	8,511,259	2,431,943	2,082,240
Non-trade receivables	1,950,000	1,950,000	1,950,000
Due from related parties (note 16)	1,704,672	1,777,471	22,324,144
Provision for doubtful debts	<u>(3,398,557)</u>	<u>(3,398,557)</u>	<u>(2,539,506)</u>
	8,767,374	2,760,857	23,816,878
Down payments for purchase of land and real estate	-	-	1,468,704
Prepaid expenses	12,500	26,010	93,250
Subscription in shares under allocation	50,000	-	70,000
Refundable deposits	129,001	129,001	128,711
Due from subsidiaries under liquidation	144,863	5,633,629	741,968
Other debit balances	900,254	869,224	916,606
	<u>10,003,992</u>	<u>9,418,721</u>	<u>27,236,117</u>

Notes to the interim condensed consolidated financial information (Unaudited)
For the three months ended 31 March 2013

8. Cash and cash equivalents

	31 March 2013	31 December 2012 (audited)	31 March 2012
	KD	KD	KD
Cash on hand	14,419	16,319	16,594
Cash at banks and financial institutions	6,451,048	8,019,862	10,279,363
Cash at investment portfolios	140,463	299,209	594,461
Murabaha at banks and financial institutions	2,000,000	3,000,000	7,260,596
Cash and cash equivalents	<u>8,605,930</u>	<u>11,335,390</u>	<u>18,151,014</u>
Less:			
Restricted cash against bank guarantees	(2,100,000)	(2,100,000)	-
Murabaha at banks and financial institutions due for more than three months	-	(3,000,000)	(7,260,596)
Cash and cash equivalents (for the purposes of statement of cash flows)	<u>6,505,930</u>	<u>6,235,390</u>	<u>10,890,418</u>
Murabaha yield rate (%)	<u>0.81</u>	<u>1.00 - 0.81</u>	<u>1.68 - 1</u>

9. Treasury shares

	31 March 2013	31 December 2012 (audited)	31 March 2012
Number of shares (share) – (note 20)	134,412,649	132,826,178	109,185,430
Percentage of issued shares (%)	7.33	7.24	5.95
Market value	11,693,900	9,297,832	9,826,689

10. Other reserves

	Change of fair value reserve	Group's share in associates' reserves	Gain on sale of treasury shares	Property, plant and equipment revaluation surplus	Total
	KD	KD	KD	KD	KD
As at 1 January 2012	1,951,090	(1,885,394)	166,215	5,547,886	5,779,797
Total comprehensive income for the period	75,804	324,308	-	-	400,112
As at 31 March 2012	<u>2,026,894</u>	<u>(1,561,086)</u>	<u>166,215</u>	<u>5,547,886</u>	<u>6,179,909</u>
As at 1 January 2013	2,079,175	(2,120,212)	166,215	5,547,886	5,673,064
Total comprehensive income 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>

The movement analysis on change in fair value reserve is as follows:

Notes to the interim condensed consolidated financial information (Unaudited)
For the three months ended 31 March 2013

10. Other reserves (continued)

	<u>31 March 2013</u>	<u>31 March 2012</u>
	KD	KD
Balance at beginning of the period	2,079,175	1,951,090
Other comprehensive income items:		
Change in fair value	360,929	(7,806)
Impairment losses	-	83,610
Balance at end of the period	<u>2,440,104</u>	<u>2,026,894</u>

11. Financing from third party

	<u>31 March 2013</u>	<u>31 December 2012 (audited)</u>	<u>31 March 2012</u>
	KD	KD	KD
Financing from third party – non-current portion	79,760,463	80,613,425	92,440,122
Financing from third party – current portion	<u>16,510,000</u>	<u>16,510,000</u>	<u>16,010,000</u>
	<u>96,270,463</u>	<u>97,123,425</u>	<u>108,450,122</u>
Average cost rate (%)	4.5-5	4.5-5	5-6.5

Finance granted by third party represents murabaha, securitisation and loans contracts. Most of the financing 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.

Financing granted from third party is secured against the mortgage of the following assets:

	<u>31 March 2013</u>	<u>31 December 2012 (audited)</u>	<u>31 March 2012</u>
	KD	KD	KD
Property, plant and equipment	31,371,781	31,920,497	32,919,626
Projects in progress	9,839,053	9,092,000	7,505,228
Investment properties	207,762,924	207,515,642	156,108,453
Land and real estate held for trading	1,224,914	1,224,914	-

12. Net gain from investment properties

	<u>Three months ended 31 March</u>	
	<u>2013</u>	<u>2012</u>
	KD	KD
Real estate rental income	2,905,015	2,518,856
Operating expenses	<u>(585,159)</u>	<u>(277,963)</u>
	<u>2,319,856</u>	<u>2,240,893</u>

Notes to the interim condensed consolidated financial information (Unaudited)
For the three months ended 31 March 2013

13. Net hotel losses

	Three months ended	
	31 March	
	2013	2012
	KD	KD
Net hotel income	1,363,462	920,167
Operating expenses	(985,489)	(825,000)
Depreciation for the period	(548,715)	(1,047,550)
	<u>(170,742)</u>	<u>(952,383)</u>

14. Net (losses)/gains from investments

	Three months ended	
	31 March	
	2013	2012
	KD	KD
Available for sale investments		
Cash dividends	73,641	56,627
(Loss)/gain on sale	(21,473)	145,346
Impairment losses	(673,174)	(83,610)
	<u>(621,006)</u>	<u>118,363</u>
Investments at fair value through profit or loss		
Change in fair value	25,113	33,825
Gain on sale	14,108	4,909
Cash dividends	10,794	11,525
	<u>50,015</u>	<u>50,259</u>
	<u>(570,991)</u>	<u>168,622</u>

15. Earnings per share attributable to the Company's shareholders

Earnings per share is calculated by dividing the net profit for the period attributable to the shareholders of the Company by the weighted average number of outstanding ordinary shares after deducting the weighted average number of outstanding treasury shares during the period as follows:

	Three months ended	
	31 March	
	2013	2012
Net profit for the period (KD)	5,219,349	223,623
Weighted average number of outstanding shares during the period (shares)	1,701,251,482	1,727,479,927
Earnings per share (fils)	<u>3.07</u>	<u>0.13</u>

The weighted average number of outstanding shares for the comparative period was amended by the impact of share capital decrease due to the amortization of treasury shares.

Notes to the interim condensed consolidated financial information (Unaudited)
For the three months ended 31 March 2013

16. Related party transactions

Related parties comprise of the Group's shareholders who are members of the board of directors, board of directors, key management personnel, and subsidiaries 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:

	<u>31 March</u> <u>2013</u> KD	<u>31 December</u> <u>2012</u> <u>(audited)</u> KD	<u>31 March</u> <u>2012</u> KD
Interim condensed consolidated statement of financial position			
Receivables and other debit balances (Note 7)	1,704,672	1,777,471	22,324,144
Accounts payable and other credit balances	3,331	636,460	636,460
Interim condensed consolidated statement of income			
Key management benefits	119,491	943,825	120,655
Profit from sale of lands and real estate held for trading	-	2,894,729	-

17. Acquisition of a share in a subsidiary

During the period, the Company has increased its share in Al Mutajara Real Estate Company by 12.245% which is owned by non-controlling interests at an amount of KD 3,881,925.

The assets and liabilities of the subsidiary at acquisition date is as follows:

	<u>KD</u>
Investment properties	28,576,000
Available for sale investments	388,770
Receivables and other debit balances	83,057
Cash and cash equivalents	4,006,072
Payables and other credit balances	<u>(238,611)</u>
	32,815,288
Carrying value of acquired shares	4,018,232
Amount paid towards the acquisition of a share in a subsidiary	<u>(3,881,925)</u>
Effect of acquisition of a share in a subsidiary	<u>136,307</u>

Notes to the interim condensed consolidated financial information (Unaudited)
For the three months ended 31 March 2013

18. Capital commitments and contingent liabilities

	<u>31 March 2013</u>	<u>31 December 2012 (audited)</u>	<u>31 March 2012</u>
	KD	KD	KD
Capital commitments			
Uncalled capital – investments	562,213	612,213	862,213
Land and real estate purchases	-	-	758,294
Contract for projects under development	2,284,542	2,488,170	5,530,232
	<u>2,846,755</u>	<u>3,100,383</u>	<u>7,150,739</u>
	<u>31 March 2013</u>	<u>31 December 2012 (audited)</u>	<u>31 March 2012</u>
	KD	KD	KD
Contingent liabilities			
Letters of guarantee	2,696,944	2,696,944	1,639,158

Notes to the interim condensed consolidated financial information (Unaudited)
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20. Subsequent events

The annual shareholders general assembly meeting was held on 14 April 2013 and approved the consolidated financial statements for the year ended 31 December 2012 as well as the recommendation of board of directors to distribute cash dividends of 5% to the registered shareholders as at the date of holding the ordinary general assembly meeting of the Company. The shareholder's General Assembly approved the decrease of Company's capital from KD 183,481,393 to KD 170,198,775 through the extinguishment of 132,826,178 shares of treasury shares as of 31 December 2012.