



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

**Consolidated Financial Statements and Independent Auditors' Report
For the year ended 31 December 2013**



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COMMERCIAL REAL ESTATE COMPANY – K.P.S.C
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Commercial Real Estate Company – K.P.S.C, “the Company” and its subsidiaries (together referred to as “the Group”) which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

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


Bader A. Al-Wazzan
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Qais M. Al-Nisf
Licence No. 38A
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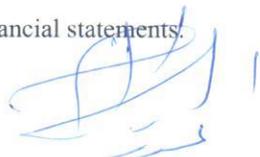
Consolidated Statement of Financial Position as of 31 December 2013

(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Assets			
Non-current assets			
Property, plant and equipment	5	29,761,263	31,975,095
Projects in progress	6	21,820,062	15,702,400
Investment property	7	257,247,496	241,784,642
Investments in associates	8	21,658,409	22,340,693
Available for sale investments	9	29,627,783	29,266,501
		<u>360,115,013</u>	<u>341,069,331</u>
Current assets			
Land and real estate held for trading	10	7,946,871	10,400,131
Investments at fair value through profit or loss	11	1,804,292	1,540,508
Receivables and other debit balances	12	6,806,818	9,418,721
Cash and cash equivalents	13	5,747,282	11,335,390
		<u>22,305,263</u>	<u>32,694,750</u>
Total assets		<u>382,420,276</u>	<u>373,764,081</u>
Equity and liabilities			
Equity			
Share capital	14	170,198,775	183,481,393
Share premium		1,308,384	1,410,492
Treasury shares	15	(532,115)	(19,502,341)
Statutory reserve	16	28,192,606	26,610,698
Voluntary reserve	17	23,454,895	22,663,941
Other reserves	18	5,873,323	5,673,064
Retained earnings		29,320,650	30,991,571
Total equity attributable to the Company's shareholders		<u>257,816,518</u>	<u>251,328,818</u>
Non-controlling interest	19	<u>10,738,652</u>	<u>14,119,756</u>
Total equity		<u>268,555,170</u>	<u>265,448,574</u>
Non-current liabilities			
Employees' end of service indemnity		1,118,879	1,078,552
Financing from third party – non-current portion	21	86,969,761	80,613,425
		<u>88,088,640</u>	<u>81,691,977</u>
Current liabilities			
Payables and other credit balances	22	11,286,466	10,113,530
Financing from third party – current portion	21	14,490,000	16,510,000
		<u>25,776,466</u>	<u>26,623,530</u>
Total liabilities		<u>113,865,106</u>	<u>108,315,507</u>
Total equity and liabilities		<u>382,420,276</u>	<u>373,764,081</u>

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


Abdul Fatah M.R. Marafie
Chairman and Managing Director


Adwan M. Al-Adwani
Vice Chairman

Commercial Real Estate Company – K.P.S.C

And its subsidiaries

State of Kuwait

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

	Note	2013	2012
Revenues			
Net investment properties income	23	24,785,606	15,257,653
Gain on sale of land and real estate held for trading		11,153,121	7,909,396
Changes at fair value of project under progress	6	878,461	4,346,093
Group's share in associates' results	8	459,969	(3,647,902)
Net gains from investments	24	1,641,068	1,035,782
Net hotel losses	25	(1,028,285)	(1,281,506)
Foreign currency translation differences		(48,941)	34,077
Other revenues		140,732	814,998
Total revenues		<u>37,981,731</u>	<u>24,468,591</u>
Expenses and other charges			
Staff costs		2,601,182	2,503,005
Administrative expenses and other charges		1,020,223	1,410,015
Finance costs		4,335,442	5,583,415
Impairment	26	10,363,975	1,416,635
Provisions	27	2,501,749	941,268
Total expenses		<u>20,822,571</u>	<u>11,854,338</u>
Net profit before deductions		17,159,160	12,614,253
KFAS		(135,408)	(80,005)
National Labor Support Tax		(416,804)	(308,869)
Zakat Expense		(130,370)	(88,433)
Board of directors' remuneration		(120,000)	(80,000)
Net profit for the year		<u>16,356,578</u>	<u>12,056,946</u>
Attributed to:			
Shareholders of the Company		15,016,495	10,935,431
Non-controlling interest		1,340,083	1,121,515
		<u>16,356,578</u>	<u>12,056,946</u>
Earnings per share (fils)	28	<u>8.83</u>	<u>6.43</u>

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2013

(All amounts are in Kuwaiti Dinars)

	Note	<u>2013</u>	<u>2012</u>
Net profit for the year		16,356,578	12,056,946
Other comprehensive income items:			
<i>Items that may be reclassified subsequently to statement of income:</i>			
Available for sale investments	18	(85,852)	128,085
Group's share in associates' reserves	18	452,326	(234,818)
Total other comprehensive income items		<u>366,474</u>	<u>(106,733)</u>
Total comprehensive income for the year		<u>16,723,052</u>	<u>11,950,213</u>
Attributed to:			
Shareholders of the Company		15,382,969	10,828,698
Non-controlling interest		<u>1,340,083</u>	<u>1,121,515</u>
		<u>16,723,052</u>	<u>11,950,213</u>

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

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

(All amounts are in Kuwaiti Dinars)

	Equity attributable to the Parent Company's shareholders							Non-controlling interest	Total equity	
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (note 18)	Retained earnings			Total
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 year	-	-	-	-	-	(106,733)	10,935,431	10,828,698	1,121,515	11,950,213
Purchase of treasury shares	-	-	(2,092,320)	-	-	-	-	(2,092,320)	-	(2,092,320)
Cash dividend	-	-	-	-	-	-	(8,628,141)	(8,628,141)	-	(8,628,141)
Transferred to reserves	-	-	-	1,149,274	574,637	-	(1,723,911)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(3,067,941)	(3,067,941)
Balance as at 31 December 2012	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
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 year	-	-	-	-	-	366,474	15,016,495	15,382,969	1,340,083	16,723,052
Capital reduction	(13,282,618)	(102,108)	19,502,341	-	-	(166,215)	(5,951,400)	(532,115)	-	(8,502,006)
Purchase of treasury shares	-	-	(532,115)	-	-	-	-	(8,502,006)	-	(9,034,121)
Cash dividend (note 29)	-	-	-	-	-	-	(8,502,006)	(8,502,006)	-	(17,036,127)
Transferred to reserves	-	-	-	1,581,908	790,954	-	(2,372,862)	-	-	-
Acquisition of additional share in subsidiary (note 20)	-	-	-	-	-	-	138,852	138,852	(4,158,278)	(4,019,426)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(562,909)	(562,909)
Balance as at 31 December 2013	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

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

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

(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Cash flows from operating activities			
Net profit for the year		16,356,578	12,056,946
<i>Adjustments:</i>			
Change in fair value of investment property	23	(14,898,981)	(6,125,236)
Gains from sale of investment property		-	(273,439)
Changes in fair value of project under progress	6	(878,461)	(4,346,093)
Group's share in associates' results	8	(459,969)	3,647,902
Net gains from investments	24	(1,641,068)	(1,035,782)
Foreign currency translation differences		48,941	(34,077)
Depreciation	5	2,248,497	2,244,323
Finance costs		4,335,442	5,583,415
Impairment	26	10,363,975	1,416,635
Provisions	27	2,501,749	941,268
Employees' end of service indemnity		40,327	83,514
Operating profit before changes in working capital		18,017,030	14,159,376
Land and real estate held for trading		2,453,260	(6,896,721)
Investments at fair value through profit or loss		(179,867)	(472,841)
Receivables and other debit balances		1,510,537	4,258,941
Payables and other credit balances		(997,821)	1,245,865
Net cash generated from operating activities		20,803,139	12,294,620
Cash flows from investing activities			
Paid to acquire property, plant and equipments	5	(34,665)	(347,372)
Paid for projects in progress	6	(5,239,201)	(2,572,419)
Paid for purchase of investment properties	7	(563,873)	(10,043,962)
Proceeds from sale of investment properties		-	11,200,000
Effect of disposal of a subsidiary		-	(64,217)
Paid to acquire additional share in a subsidiary	20	(4,019,426)	-
Proceeds from Murabaha at banks and financial institution		1,000,000	1,150,000
Cash restricted against bank guarantees	13	2,100,000	(1,687,223)
Paid to acquire shares in associates	8	(3,337,018)	(1,807,690)
Proceeds from sale of investment in associates		-	534,901
Cash dividends received from associates	8	132,000	132,000
Paid for purchase of available for sale investments	9	(7,976,465)	(2,860,586)
Proceeds from sale of available for sale investments		2,962,463	4,054,077
Cash dividends received		513,855	473,908
Net cash used in investing activities		(14,462,330)	(1,838,583)
Cash flows from financing activities			
Financing from third party		4,287,395	7,827,971
Paid to acquire treasury shares		(532,115)	(2,092,320)
Cash dividends paid		(8,389,128)	(8,628,141)
Finance cost paid		(3,632,160)	(7,142,411)
Non-controlling interests	19	(562,909)	(3,067,941)
Net cash used in financing activities		(8,828,917)	(13,102,842)
Net change in cash and cash equivalents		(2,488,108)	(2,646,805)
Cash and cash equivalents at the beginning of the year	13	6,235,390	8,882,195
Cash and cash equivalents at the end of the year	13	3,747,282	6,235,390

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

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Incorporation and activities

Commercial Real Estate Company is a Kuwaiti Public Shareholding Company (“the Company”) incorporated in the State of Kuwait under Articles of Association No. 104/M/ Vol. 1 on 4 February 1968 and registered in the Commercial Register on 28 February 1968 under 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 Company are to carry out 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 Company by investing it in financial portfolios managed by specialized companies and financial institutions; and establishing real estate funds and portfolios and the management of these funds for its own and for third parties or as stated in Company’s Memorandum (Article No. 4) and Article of Association (Article No. 5). The Company’s management shall carry out all its objectives for which it have been established in accordance with the Noble Islamic Sharia principles.

The Company’s registered office is located in Jaber Al-Mubarak Street, Commercial Real Estate Company’s Building, Sharq, P.O. Box. 4119 Safat, 13042 Kuwait.

On 21 December 2004, the Company was registered in the Kuwait Stock Exchange.

The consolidated financial statements include the financial statements of the Company and its subsidiaries as disclosed in note (33) (together referred as “Group”).

The consolidated financial statements were approved for issue by the Board of Directors on 17 February 2014, the Company’s shareholders have the right to amend the financial statements at the annual General Assembly of Shareholders.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

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

2.2 New and revised standards

New and revised IFRSs issued and effective

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

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

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

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

IFRS 10 Consolidated Financial Statements

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

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

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

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

IFRS 11 Joint Arrangements

The standard replaces IAS 31 “Interests in Joint Ventures”. The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Under IFRS 11, there are only two types of joint arrangements (a) joint ventures and (b) joint operations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from sale of the output by the operation) and its expenses (including its share of expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards. The adoption of this standard has no impact on the performance of the Group or its financial position.

IFRS 12 Disclosure of interest in Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of this standard resulted in more extensive disclosures in the consolidated financial statements (see notes 8 & 33).

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. Fair value under this standard is an exit price regardless of whether price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements (notes 3, 6 & 7).

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

IAS 1 Presentation of Financial Statement

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

New and revised IFRSs in issue but not yet effective

For annual periods beginning on or after 1 January 2014

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2013
(All amounts are in Kuwaiti Dinars unless otherwise stated)

IAS 32 “Financial Instruments – Presentation”

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

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

For annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments: Classification and Measurement

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

2.3 Significant Accounting Policies

2.3.1 Basis of Consolidation

Subsidiaries

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

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

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- (i) The aggregate of the fair value of the consideration received and the fair value of any retained interest and
- (ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements for the year ended 31 December 2013
(All amounts are in Kuwaiti Dinars unless otherwise stated)

Business combinations

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

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

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

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

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

Goodwill

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

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

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

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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(All amounts are in Kuwaiti Dinars unless otherwise stated)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" (note 2.3.5).

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

2.3.2 Property, plant and equipment

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

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

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

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

2.3.3 Projects in progress

Incurred costs are charged to construction or production of capital assets under projects in progress till construction or production of these assets is complete, at which time it is reclassified as property, plant, equipment, investment property, or trading properties. Costs include all direct costs and other costs attributable on reasonable basis.

Land and real estates under development to be used as investment properties are considered as investment properties recognized at cost and then re-measured at fair value. In case there is no reliable method for measuring the fair value of such land under development, the properties are recognized at cost till the date of completion of developing the property or the date of reliably determining their fair value, whichever occurs first.

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2.3.4 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.3.5 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use. Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.3.6 Financial instruments

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

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

Financial assets

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 3.

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

Loans and receivables

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

Available for sale (AFS)

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

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note 3.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

Impairment in value

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

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

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

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

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

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

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

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

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(All amounts are in Kuwaiti Dinars unless otherwise stated)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

The difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

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

Derecognition

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

2.3.7 Land and real estates held for trading

Land and real estates held for trading are stated at cost when acquired. Cost is determined on an individual basis for such land or real estates, cost represents the fair value of the consideration given, plus ownership transfer fee and brokerage expenses. Land and real estates held for trading are classified under current assets and are valued at the lower of cost or realisable value on an individual basis. Realisable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale. Gains and losses from the sale of land and property held for trading are reported in the consolidated statement of income by the difference between sale value and its book value.

2.3.8 Employees' end of service indemnity

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

2.3.9 Provisions

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

2.3.10 Equity, reserves and dividends

Issued ordinary shares are recorded within equity. Direct costs relating to issuing of shares are stated as discounted from the amounts received for issuing these shares within equity under share premium. Share capital represent the nominal value of the shares issued.

Dividends are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2.3.11 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.12 Revenue recognition

Gains and losses resulted from the sale of financial investments, investment property and land and real estate held for trading are recognised in consolidated statement of income when sale is completed. Sale is completed when the risks and rewards related to the assets sold are transferred to the buyer.

Rental income from investment properties are recorded as mentioned in note (2.3.13).

Hotel income is recognized as the services are performed and completed for clients.

Dividends income resulted from investment is recognized in the income statement when the right to receive them is established.

2.3.13 Leasing

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

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

2.3.14 Borrowing costs

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

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

2.3.15 Foreign currency

Functional and presentation currency

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

Transactions and balances

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

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

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Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

2.3.16 Zakat and deductions

Responsibility of paying zakat lies on the shareholders and not the Parent Company.

The Group calculates NLST in accordance with the ministry of finance resolution No.19 of 2000. It is recognized as expense in the relevant period on accrual basis.

The Group's contribution to KFAS is recognised as an expense in the relevant period on accrual basis.

3. Financial risk management

Financial risks

The Group's activities expose it to a variety of financial risks: market risks (including currency risks, fair value profit rates risk, cash flows profit rates risk, and prices risk) in addition to credit risk and liquidity risks.

The Group's overall risk management programme focuses on unpredictability of financial market and seeks to minimize potential adverse effects on the Group financial performance.

The Group do not use of drivative financial instruments to manage the risks that may be exposed.

A) Market risk

Foreign exchange risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group's operation is exposed to foreign exchange risk arising from various currency exposures and currency exposure arising from the assets or liabilities denominated in foreign currency, primarily with respect to the US Dollar, GBP and Bahraini Dinar. The Group is monitoring on an ongoing basis any fluctuation in foreign currency rates which may have adverse effect on the Group's financial performance.

The following is the Group's net exposure of foreign currencies:

	2013	2012
US Dollar	12,023,674	14,880,749
GBP	6,038,653	901,808
Bahrain Dinar	2,763,724	4,595,844
Other	7,793,009	8,494,658

A 5% appreciation of the following foreign currencies against KD with all other variables held constant, would have affected the net profit and equity as shown in schedule presented.

	2013		2012	
	Effect on equity	Effect on Net profit	Effect on equity	Effect on Net profit
US Dollar	600,692	491	679,096	64,941
GBP	301,933	-	45,090	-
Bahrain Dinar	17,530	120,656	40,020	189,772
Other	197,318	192,332	219,897	204,836

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

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Fair value risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Financial instruments, which potentially subject the market risk, consist of investment at fair value through statement of income, investment available for sale. The Group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The Group holds its quoted investments with a specialized investment Companies. Monthly reports are sent to the Group's management regarding the performance of investments in order to follow-up and making decision. The effect of fair value changes in market prices is limited in respect of Group's activity.

Yield rate risk

The risk of fluctuations in cash flows and the fair value arising from changes in yield rates.

Yield rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market yield rates. Assets of the Group are not exposed to this kind of risk, as the Group does not have assets with contractual profit rates.

The Group is exposed to the risk of fluctuations in cash flows resulting from the change in the yield rates in the market regarding the finance granted from certain local banks as it bears a variable yield rate.

The paragraph below shows the sensitivity of the income statement for the reasonable potential changes in yield prices while other variables being constant.

The sensitivity of the income statement is represented by the effect of the assumed change of the yield rate on the Group's profit before deductions based on a floating rate of the financial liabilities on 31 December 2013. Had the yield rate prices changed by 2%, this would lead to a change in the net profit of the year by KD 2,023,636 (KD 1,768,600: for the year ended 31 December 2012).

B) 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 credit policy is monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or Group of customers in specific location or activity. The Group receives the appropriate guarantees from clients in the event of commercial debtors. The cash and cash equivalents is deposited in financial institutions with good credit reputation, and most of the debit balances exposed to credit risk is concentrated in related parties which have a good credit reputation and there are contractual agreements with those parties in terms of repayments. The maximum credit risk exposure of the Group's assets is not materially different from the corresponding carrying values in the consolidated financial statements.

Assets that are exposed to credit risk are represented in cash and Murabaha with banks and financial institutions, trade receivables and related parties.

The Group manages credit risk related to cash, deposits with banks, and investments in Murabaha through dealing with local and foreign financial institutions that have a good credit reputation.

As for the finance receivables, the Group manages credit risk through setting up a credit policy which identifies the basis and the standards of the lending process.

Related parties have a good credit reputation and there are contractual agreements with those parties for the payment of these debts.

Notes to the Consolidated Financial Statements for the year ended 31 December 2013*(All amounts are in Kuwaiti Dinars unless otherwise stated)***C) 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, and monitoring of liquidity on a regular basis.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk through maintaining adequate reserves of assets, which are easily convertible to cash and by securing of banking facilities and financing reserves in addition to ongoing monitoring of the expected and actual cash flows and comparing the maturity analysis of financial assets and liabilities.

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The maturities of financial liabilities as at 31 December 2013 are as follows:

	<u>Within 3 months</u>	<u>3 months to 1 year</u>	<u>1 – 5 years</u>
Liabilities			
Financing from third party	8,549,292	10,556,749	95,101,200
Trade payables	3,006,019	7,232,437	-

The maturities of assets and liabilities as at 31 December 2012 are as follows:

	<u>Within 3 months</u>	<u>3 months to 1 year</u>	<u>1 – 5 years</u>
Liabilities			
Financing from third party	6,132,185	14,607,476	88,698,547
Trade payables	3,447,413	6,325,388	-

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the 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.

The Company's capital structure consists of finance obtained from third party less cash and cash equivalents in addition to equity.

The Group attempts to manage invested capital risks by continuous monitoring of debt/total invested capital ratio.

The gearing ratio as at year end was as follows:

	<u>2012</u>	<u>2011</u>
Financing from third party (note 21)	101,459,761	97,123,425
(Less) : cash and cash equivalents	(5,747,282)	(11,335,390)
Net debt	95,712,479	85,788,035
Total equity	268,555,170	265,448,574
Gearing ratio	35.64%	%32.32

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Fair value estimation

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

- Level 1: Quoted prices in active markets for 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 the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Financial assets	Fair value as at		Valuation date	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2013	2012					
Available for sale investments	1,187,619	957,004	31 December 2013	Level 1	Last bid price	N/A	N/A
	21,909,531	18,563,255	31 December 2013	Level 2	Net unite value announced	N/A	N/A
	6,002,414	8,810,204	31 December 2013	Level 3	Technical assessment methods	Adjusted book value of market risk	The higher market risk, the lower the fair value.
Investment at fair value through profit or loss	1,804,292	1,540,508	31 December 2013	Level 1	Last bid price	N/A	N/A

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required):

	31 December 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair Value
Financial assets				
Loans and receivables				
- Due from related parties	1,171,513	1,171,513	1,777,471	1,777,471
- Trade and non-trading receivables	5,635,305	5,635,305	7,641,250	7,641,250
- Cash and cash equivalent	5,747,282	5,747,282	11,335,390	11,335,390
	<u>12,554,100</u>	<u>12,554,100</u>	<u>20,754,111</u>	<u>20,754,111</u>
Financial liabilities				
Financial liabilities (at amortized cost)				
- Financing from third party	101,459,761	99,406,178	97,123,425	96,646,025
- Payables and other credit balances	11,286,466	11,286,466	10,113,530	10,113,530
	<u>112,746,227</u>	<u>110,692,644</u>	<u>107,236,955</u>	<u>106,759,555</u>
Fair value hierarchy 31 December 2013				
Level 3				
Total				
Financial assets				
Loans and receivables				
			12,554,100	12,554,100
Total			<u>12,554,100</u>	<u>12,554,100</u>
Financial liabilities				
Financial liabilities (at amortized cost)				
			110,692,644	110,692,644
Total			<u>110,692,644</u>	<u>110,692,644</u>

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

The fair values of the financial assets and financial liabilities included in the level 3 categories above have been determined in accordance with generally accepted pricing models such as discounted cash flow.

Reconciliation of Level 3 fair value measurements:

	Unquoted available for sale investments	
	2013	2012
Balance as at 1 January	8,810,204	9,436,581
Total gains or losses:		
- in profit or loss	(1,509,035)	-
- in other comprehensive income	(330,412)	22,610
Purchases	50,000	70,000
Disposals/settlements	-	(417,969)
Transfers out of level 3	(1,018,343)	(301,018)
Balance as at 31 December	<u>6,002,414</u>	<u>8,810,204</u>

Transfers out of level 3 represents in investments carried at cost as its recently acquired.

4. Significant accounting assumptions and judgments

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

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

Classification of investments

The Group decides on the acquisition of an investment whether to classify it as “financial assets at fair value through profit or loss” or “available-for-sale”. The Group follows the guidance of IAS 39 to classified that investments.

The Group classifies its investments at fair value through profit or loss, "if acquired initially for the purpose of short term profit or if they are designated at fair value through profit or loss at aquiree, as it is possible to estimate the fair value reliably. All other investments are classified as "available for sale".

Fair value measurement and valuation techniques

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability the Group uses market observable data to the extent it is available. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in note (3).

Impairment of tangible and intangible assets

The Group reviews the tangible and intangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ from what is estimated resulting in future changes to such provisions.

Notes to the Consolidated Financial Statements for the year ended 31 December 2013*(All amounts are in Kuwaiti Dinars unless otherwise stated)**Evidence of impairment of investments*

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

Impairment of associates

An estimation for Impairment losses of associate is made when there is an indication for such impairment. Determination of the impairment is made for the full book value of the Group's investment in associate including goodwill and therefore, the impairment of goodwill is not separately determined. The impact of the above on the consolidated financial statements is set out in note 8.

Impairment of Receivables

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period, change in global and local economies which led the customers to default in payment. Impairment of receivables is recognised when there is an evidence of the counterparties's default in settlement as per the contractual terms.

Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment (note 32).

5. Property, plant and equipment

	Land &Buildings	Furniture & fittings	Furniture & utensils	Office equipment & computers	Total
Cost					
As at 1 January 2012	23,959,041	10,284,797	3,384,927	660,697	38,289,462
Additions	132,883	-	214,489	-	347,372
Disposals	-	(16,515)	-	-	(16,515)
As at 31 December 2012	24,091,924	10,268,282	3,599,416	660,697	38,620,319
Additions	27,828	-	-	6,837	34,665
As at 31 December 2013	24,119,752	10,268,282	3,599,416	667,534	38,654,984
Accumulated depreciation					
As at 1 January 2012	847,521	1,565,627	1,414,250	576,397	4,403,795
Depreciation for the year	509,716	999,007	704,593	31,007	2,244,323
Disposals	-	(2,894)	-	-	(2,894)
As at 31 December 2012	1,357,237	2,561,740	2,118,843	607,404	6,645,224
Depreciation for the year	510,762	995,348	719,883	22,504	2,248,497
As at 31 December 2013	1,867,999	3,557,088	2,838,726	629,908	8,893,721
Net carrying value					
As at 31 December 2013	22,251,753	6,711,194	760,690	37,626	29,761,263
As at 31 December 2012	22,734,687	7,706,542	1,480,573	53,293	31,975,095
Useful lives (year)	40	10-5	5	6	

Land and buildings are pledged in favour of local financial institutions against finance operations obtained by the Group (Note 21).

Notes to the Consolidated Financial Statements for the year ended 31 December 2013*(All amounts are in Kuwaiti Dinars unless otherwise stated)***6. Projects in progress**

	<u>2013</u>	<u>2012</u>
Balance as at 1 January	15,702,400	7,817,243
Additions	5,239,201	2,572,419
Transferred from lands and real estate held for trading	-	1,519,516
Changes at fair value	878,461	4,346,093
Effect of disposal of a subsidiary	-	(552,871)
Balance as at 31 December	<u>21,820,062</u>	<u>15,702,400</u>

The fair value of the projects in progress as of 31 December 2013 has been determined based on the evaluation carried out at that date by independent valuers not related to the Group. Those valuers are registered at the related official authorities and they have appropriate qualifications and recent experience in valuation of real estates in the relevant locations. The fair value of the projects in progress has been determined based on observable market approach that reflects recent transactions prices for similar properties according to the real estate current condition (Level 2).

Projects in progress include projects of KD 12,750,000 as of 31 December 2013 (KD 9,092,000 - 2012) are pledged in favour of local financial institutions against finance operations obtained by the Group (Note 21).

7. Investment property

	<u>2013</u>	<u>2012</u>
Balance as at 1 January	241,784,642	236,542,005
Additions	563,873	10,043,962
Disposals	-	(10,926,561)
Change in fair value (note 23)	14,898,981	6,125,236
Balance as at 31 December	<u>257,247,496</u>	<u>241,784,642</u>

Investment properties include properties of KD 218,943,826 as of 31 December 2013 (KD 207,515,642: 2012) are pledged in favor of local financial institutions against the finance obtained by the Group (note 21).

The fair value of the Group's investment property as at 31 December 2013 has been determined on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. The independent valuers are registered at the related official authorities, and they have appropriate and recent experience in the valuation of investment properties in the relevant locations. The fair value of investment properties classified into (level 2) was determined based on the market comparable approach that reflects recent transaction prices for similar properties & discounted cash flows. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Commercial Real Estate Company – K.P.S.C

And its subsidiaries

State of Kuwait

**Notes to the Consolidated Financial Statements for the year ended 31 December 2013***(All amounts are in Kuwaiti Dinars unless otherwise stated)***8. Investments in associates**

	Incorporation country	Principal activity	Ownership %	2013	2012
Hajar Tower Company	Kuwait	Investment property	20.00	8,320,132	8,265,380
Al-Salmiya Group Co.	Kuwait	Investment property	28.13	5,359,741	2,332,708
Kuwait Resorts Company	Kuwait	Services	32.96	3,872,673	3,218,435
Afkar Holding Company	Kuwait	Holding Company	19.35	2,783,320	2,400,538
Kuwait Commercial Markets Complex Company	Kuwait	Investment property	22.92	870,184	1,546,267
Mozon Holding Company	Kuwait	Holding Company	34.00	340,000	837,700
Industrial and Financial Investment Company	Kuwait	Financing services	17.31	112,359	112,359
Foras Al-Khalijea Co.	Kuwait	Investment property	36.00	-	998,623
Omran International Real Estate Development Company	Saudi Arabia	Investment property	33.33	-	1,785,195
Spirit Real Estate Development Company	Kuwait	Investment property	34.05	-	843,488
				<u>21,658,409</u>	<u>22,340,693</u>

Movement on investments balance in the associates during the year are as follows:

	2013	2012
Balance as at 1 January	22,340,693	22,620,041
Additions	3,337,018	1,807,690
Disposals	-	(648,688)
Cash dividends	(132,000)	(132,000)
Group's share in associates results	459,969	(3,647,902)
Group's share in associates reserves (losses)/ reverse impairment (note 26)	452,326	(234,818)
	(4,799,597)	2,576,370
Balance as at 31 December	<u>21,658,409</u>	<u>22,340,693</u>

Although the Parent Company's share in the Industrial and Financial Investment Company K.P.S.C and Afkar Holding Company – K.S.C.C is less than 20%, the Parent Company has a significant influence over the financial and operational policies of this companies through representation in the Board of Directors, accordingly, it is classified within associates.

The Group has recorded impairment of KD 4,799,597 as of 31 December 2013 (KD 39,412 – 2012) on certain associates arising from a decline in their recoverable amounts of these associates. The recoverable amounts of these investments has been determined based on the fair value estimated by the management less costs to sell.

During the year, the Group has subscribed to capital increase of associate - Al Salmiya Group Company by 3,125,000. Resulted from this increase Group's contribution in the associates from 25% to 28.13%. Otherwise no changes in Company's contribution in other associates from last years. The investment in the associate pledged against funding to the associates.

The following summarised financial information in respect of the significant associate. The summarised financial information below represents the amounts shown in the latest financial data available to those associates, which has been prepared in accordance with International Financial Reporting Standards:

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

Hajar Tower Company

	<u>2013</u>	<u>2012</u>
Current assets	40,617,256	47,346,647
Non-current assets	38,375,814	40,572,892
Current liabilities	13,042,717	13,501,569
Non-current liabilities	24,349,693	33,146,240

	<u>2013</u>	<u>2012</u>
Revenues	15,221,357	37,459,657
Profit or loss from operation	988,930	5,753,103
Profit for the year/ total comprehensive income	988,930	5,753,103
Cash dividends proceeds from associate during the year	132,000	132,000

Aggregate information of associates that are not individually material

	<u>2013</u>	<u>2012</u>
Group's share in profit or loss of continuous operations	273,216	(4,680,136)
Group's share in other comprehensive income for the year	452,326	(234,818)
Group's share in total comprehensive income for the year	725,542	(4,914,954)
Total book value of that associates	13,338,276	14,075,313

9. Available for sale investments

	<u>2013</u>	<u>2012</u>
Investment in quoted shares	1,187,619	957,004
Investment in unquoted shares	20,869,050	20,911,207
Investment in quoted real estate funds	-	4,449,048
Investment in unquoted real estate funds	7,571,114	2,949,242
	<u>29,627,783</u>	<u>29,266,501</u>

Movement on available for sale investments balance during the year are as follows:

	<u>2013</u>	<u>2012</u>
Balance as at 1 January	29,266,501	30,338,975
Additions	7,976,465	2,860,586
Disposals	(1,964,953)	(3,197,868)
Changes in fair value	(85,852)	(18,407)
impairment (note 26)	(5,564,378)	(716,785)
Balance as at 31 December	<u>29,627,783</u>	<u>29,266,501</u>

The fair value of available for sale investments is determined based on valuation techniques mentioned in note (3).

Available for sale investments include investment in unquoted shares of KD 528,219 as of 31 December 2013 (KD 936,038- 2012) carried at cost as its fair value can not reliably measured, and the Group's management has no indication of impairment in respect of those investments.

Available for sale investments are denominated in the following currencies:

	<u>2013</u>	<u>2012</u>
KD	7,278,322	9,584,419
US Dollar	12,013,848	13,581,926
GBP	6,038,653	901,808
Other currencies	4,296,960	5,198,348
	<u>29,627,783</u>	<u>29,266,501</u>

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

10. Land and real estate held for trading

	2013	2012
Balance as at 1 January	10,400,131	9,351,263
Additions	-	3,487,325
Sales	(2,438,700)	(625,420)
Impairment	(14,560)	(293,521)
Transferred to project under progress (note 6)	-	(1,519,516)
Balance as at 31 December	<u>7,946,871</u>	<u>10,400,131</u>

Land and real estate held for trading include land of KD 988,604 that are recorded in the name of related parties and there is letter of assignment in favor of the Group in respect of those lands.

Lands and real estate held for trading include lands of KD 1,228,380 as at 31 December 2013 (KD 1,224,914 – 2012) are pledged in favor of financing insitutions for finance obtained by the Group (note 21).

11. Investments at fair value through profit or loss

Investments at fair value through profit or loss represent local quoted investments held for trading in KD, which were valuated based on valuation bases mentioned in note (3).

12. Receivables and other debit balances

	2013	2012
Trade receivables	7,060,902	2,431,943
Other receivables	1,950,000	1,950,000
Due from related parties (note 30)	1,171,513	1,777,471
Provision for doubtful debts	(4,545,709)	(3,398,557)
	5,636,706	2,760,857
Prepaid expenses	26,010	26,010
Refundable deposits	160,226	129,001
Due from subsidiaries under liquidation	42,272	5,633,629
Other debit balances	941,604	869,224
	<u>6,806,818</u>	<u>9,418,721</u>

Trade receivables include KD 5,470,408 as of 31 December 2013 (KD 4,101,414 – 2012) matured and impaired were provided for with KD 4,545,709 (KD 3,398,557 – 2012).

Analysis of impaired trade and non-trading receivables aging as at 31 December 2013 are as follows:

	2013	2012
30 – 60 days	585,989	548,607
60 – 90 days	293,864	227,565
90 – 120 days	149,308	124,181
More than 120 days	4,441,247	3,201,061
	<u>5,470,408</u>	<u>4,101,414</u>

Following is the movement on doubtful provision during the year:

	2013	2012
Balance at 1 January	3,398,557	2,471,108
Provided for the year (note 27)	1,147,152	941,268
Debt written off	-	(13,819)
Balance as at 31 December	<u>4,545,709</u>	<u>3,398,557</u>

Receivables are denominated in the following currencies:

	2013	2012
KD	6,661,480	9,274,705
Bahrain Dinar	145,338	144,016
	<u>6,806,818</u>	<u>9,418,721</u>

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

13. Cash and cash equivalents

	<u>2013</u>	<u>2012</u>
Cash on hand	29,153	16,319
Cash at banks and financial institutions	1,610,900	8,019,862
Cash at investment portfolios	107,229	299,209
Murabaha placement	4,000,000	3,000,000
Cash and cash equivalent	<u>5,747,282</u>	<u>11,335,390</u>
Less:		
Cash restricted against bank guarantee	-	(2,100,000)
Murabaha placement maturing in more than three months	<u>(2,000,000)</u>	<u>(3,000,000)</u>
Cash and cash equivalent for the purpose of preparation of cash flows	<u>3,747,282</u>	<u>6,235,390</u>
Rate of return on Murabaha (%)	<u>0.87</u>	<u>1.69</u>
Cash and cash equivalents are denominated in the following currencies:		
	<u>2013</u>	<u>2012</u>
KD	5,676,084	9,965,687
USD	9,827	1,298,823
Others	61,371	70,880
	<u>5,747,282</u>	<u>11,335,390</u>

14. Share capital

On 14 April 2013, the extra ordinary General Assembly meeting of the Company's shareholders approved reduction of the issued and paid up capital from KD 183,481,393 to KD 170,198,775 by amortizing of 132,826,178 shares of treasury shares as at 31 December 2012 with its nominal value of 100 fils per share by KD 13,282,618 and amortize the remaining as follows:

- Closing gain on sale of treasury shares reserve by KD 166,215.
- Reduction of share premium by KD 102,108.
- Amortizing of KD 5,951,400 in retained earnings.

Therefore, the authorized, issued and paid up share capital of KD 170,198,775 allocated over 1,701,987,750 of 100 fils each. All shares are in cash.

The amendment of share capital was recorded in the commercial register on 20 August 2013.

15. Treasury shares

	<u>2013</u>	<u>2012</u>
Number of shares - Share	6,023,971	132,826,178
Proportion to issued shares (%)	0.35	7.24
Market value	554,205	9,297,832

The Company is required to retain reserves and retained earnings equivalent to the treasury shares throughout the period, in which they are held by the company, pursuant to instructions of the relevant regulatory authorities.

16. Statutory reserve

In accordance with the companies law and the Articles of Association, 10% of the net profit before KFAS, National Labour Support Tax, Board of Directors' remuneration and Zakat expense for the year is required to be transferred to statutory reserve. The General Assembly may resolve to discontinue such annual transfers when the statutory reserve reaches 50% of the Company's paid up capital. Distribution of the statutory reserve is limited to the cash as per the provision of law on Article of Association 10% of share capital have been transferred to statutory reserve.

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

17. Voluntary reserve

As required by the Company's Articles of Association, a percentage of the net profit for the year is required to be transferred to the voluntary reserve as proposed by the board and agreed by the general assembly. Such transfers can be discontinued by a resolution of the general assembly upon recommendation by the board of directors. The board proposed transfer of 5% of the net profit for the year.

18. Other reserves

	Change in fair value reserve	Group's share in associates' reserves	Gain on sale of treasury shares	Revaluation surplus of property, plant and equipment	Total
Balance as of 1 January 2012	1,951,090	(1,885,394)	166,215	5,547,886	5,779,797
Total comprehensive income for the year	128,085	(234,818)	-	-	(106,733)
Balance as of 31 December 2012	2,079,175	(2,120,212)	166,215	5,547,886	5,673,064
Balance as of 1 January 2013	2,079,175	(2,120,212)	166,215	5,547,886	5,673,064
Capital reduction in treasury shares	-	-	(166,215)	-	(166,215)
Total comprehensive (losses)/ gains for the year	(85,852)	452,326	-	-	366,474
Balance as of 31 December 2013	1,993,323	(1,667,886)	-	5,547,886	5,873,323

Following is the movement on change on fair value reserve:

	2013	2012
Balance at the beginning of the year	2,079,175	1,951,090
Other comprehensive income items:		
Change in fair value	(85,852)	(18,407)
Transferred to statement of income on sales	-	(17,409)
Impairment losses	-	163,901
	(85,852)	128,085
Balance at the end of the year	1,993,323	2,079,175

19. Non-controlling interest

	2013	2012
Balance at 1 January	14,119,756	16,066,182
Share from net profit of the year	1,340,083	1,121,515
Other comprehensive income items:		
Change in non-controlling interests		
Changes in contribution of subsidiary	(4,158,278)	(2,121,950)
Cash dividends	(562,909)	(945,991)
Balance at 31 December	10,738,652	14,119,756

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

20. Acquisition of a subsidiary

During the year, the Group increased its share in Al Mutajara Real Estate Company (K.S.C.C) by 12.68% through acquisition of additional shares from non-controlling interests against KD 4,019,426. The net book value of acquired assets and liabilities exceed the consideration paid with KD 138,852 as of the acquisition date which has been recognised in equity. Following is the fair value of the acquired assets and liabilities as of the acquisition date:

	31 December 2013
Investment properties	28,576,000
Available for sale investments	431,970
Trade and other receivables	164,240
Cash and cash equivalents	3,899,872
Trade and other payables	(278,084)
	<u>32,793,998</u>
Group's share in net acquired assets	4,158,278
Fair value of consideration paid	(4,019,426)
Excess of acquired assets over consideration paid	<u>138,852</u>

21. Financing from third party

	2013	2012
Murabaha, Ijara, Tawaroq and loans contracts	<u>101,459,761</u>	<u>97,123,425</u>
Current portion	14,490,000	16,510,000
Non- current portion	<u>86,969,761</u>	<u>80,613,425</u>
	<u>101,459,761</u>	<u>97,123,425</u>
Cost rate (%)	<u>3.75 - 5</u>	<u>4.5 - 5</u>

Most of the finance from a third party is defined by contracts over a period of 6 years including a grace period of one year. Certain contracts are renewed for one year or more during the specified period. The above details represent the finance based on the latest renewal as per the contracts.

The analysis of the finance matured from a third party is disclosed in note (3).

The finance from a third party is granted against a collateral of property, plant and equipments (note 5), projects in progress (note 6), investment properties (note 7) and lands and properties held for trading (note 10).

The financing from third party are denominated in the following currencies:

	2013	2012
KD	<u>92,739,970</u>	<u>88,430,000</u>
Bahrain Dinar	<u>8,719,791</u>	<u>8,693,425</u>
	<u>101,459,761</u>	<u>97,123,425</u>

22. Trade and other payables

	2013	2012
Trade payables	2,440,037	2,789,516
Retentions	1,383,690	1,833,250
Accrued expenses	2,796,514	2,172,911
Revenues received in advance	703,696	889,793
Claim provision	1,354,597	-
Due to related parties (note 30)	11,212	636,460
Kuwait Foundation for the Advancement of Science	178,831	102,263
National Labor Support tax	416,804	308,869
Zakat	178,643	113,164
Cash dividends due to shareholders	267,452	154,574
Other credit balances	<u>1,554,990</u>	<u>1,112,730</u>
	<u>11,286,466</u>	<u>10,113,530</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2013*(All amounts are in Kuwaiti Dinars unless otherwise stated)***23. Net investment properties income**

	<u>2013</u>	<u>2012</u>
Real estate rental income	12,879,342	10,724,961
Operating expenses	(2,992,717)	(1,865,983)
Net real estate rental income	9,886,625	8,858,978
Gains on sale	-	273,439
Change in fair value (note 7)	14,898,981	6,125,236
	<u>24,785,606</u>	<u>15,257,653</u>

24. Net gains from investments

	<u>2013</u>	<u>2012</u>
Available for sale investments		
Gain on sale	997,510	462,691
Cash dividends	559,641	435,518
	<u>1,557,151</u>	<u>898,209</u>
Investments at fair value through profit or loss		
Gain on sale	27,218	16,742
Change in fair value	(11,782)	82,441
Cash dividends	68,481	38,390
	<u>83,917</u>	<u>137,573</u>
	<u>1,641,068</u>	<u>1,035,782</u>

25. Net Hotel losses

	<u>2013</u>	<u>2012</u>
Net Hotel income	5,062,495	4,335,723
Operating expenses	(6,090,780)	(5,617,229)
	<u>(1,028,285)</u>	<u>(1,281,506)</u>

Operating expenses include the depreciation expense of the Hotel and its equipment of KD 2,225,661 for the year ended 31 December 2013 (KD 2,212,873 - 2012).

26. Impairment

	<u>2013</u>	<u>2012</u>
Impairment of available for sale investments	5,564,378	880,686
Impairment/ (reversal) of impairment of investments in associates	4,799,597	(2,576,370)
Impairment of receivables	-	3,112,319
	<u>10,363,975</u>	<u>1,416,635</u>

27. Provisions

	<u>2013</u>	<u>2012</u>
Claim provision	1,354,597	-
Provision for doubtful debts	1,147,152	941,268
	<u>2,501,749</u>	<u>941,268</u>

28. Earnings per share to the Shareholders of the Company

Earnings per share is calculated by dividing the net profit for the year by the weighted average of the number of the shares outstanding during the year, taking into account treasury shares, is as follows:

	<u>2013</u>	<u>2012</u>
Net profit (KD)	15,016,495	10,935,431
Weighted average number of shares outstanding - shares	1,700,450,439	1,701,987,750
Earnings per share (fils)	<u>8.83</u>	<u>6.43</u>

The average weighted of number of outstanding shares for the comparative year has been adjusted with the effect of capital reduction as a result of amortization of treasury shares.

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

29. Dividends

On 14 April 2013, the General Assembly of the Company's shareholders approved not to distribute dividends for the year ended 31 December 2012. And approved Board of Directors proposed to distribute 5% from share capital after disposal of treasury shares to the shareholders registered on the date ordinary General Assembly meeting.

On 17 February 2014 the Company's Board of Directors proposed to distribute 6% cash dividends for the year ended 31 December 2013. This proposal is subject to the approval of the General Assembly of the shareholders of the Company.

30. 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 subsidiaries in which the Parent company has representatives in their board. Significant related party transactions and balances resulting there from were as follows:

	<u>2013</u>	<u>2012</u>
Transactions		
Key management's benefits	965,131	943,825
Gains from sale of lands and property held for trading	-	2,894,729
Balances		
Receivables and other debt balances (note 12)	1,171,513	1,777,471
Due to associates (note 22)	11,212	636,460

Related parties' transactions are subject to the approval of the General Assembly's shareholders. Due from/ to related parties are free interest and mature on call.

31. Capital commitments

	<u>2013</u>	<u>2012</u>
Uncalled capital – investments	911,268	612,213
Contract for projects under development	2,169,282	2,488,170
	<u>3,080,550</u>	<u>3,100,383</u>

32. Contingent liabilities

	<u>2013</u>	<u>2012</u>
Letters of guarantee	4,714,944	2,696,944

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

(All amounts are in Kuwaiti Dinars unless otherwise stated)

33. Investment in subsidiaries

The consolidated financial statements include the financial statements of the Company and its following subsidiaries:

<u>Name of the Company</u>	<u>Activity</u>	<u>Inception place</u>	<u>Ownership (%)</u>	
			<u>2013</u>	<u>2012</u>
Al-Motajara Real Estate Company	Real estate investment	Kuwait	70.30	57.62
Missoni Hotel	Hotels services	Kuwait	100	100

The financial statements of the above subsidiaries are combined based on of audited financial statements as at 31 December 2013.

Statement of the non- wholly owned subsidiaries by the Group (important), which includes shares of non-controlling material points:

Summary of financial statements of the subsidiary of the Group, which includes non-controlling interest material:

	<u>2013</u>	<u>2012</u>
Al-Motajara Real Estate Company		
Current assets	4,534,133	4,591,675
Non-current assets	31,982,563	29,007,970
Current liabilities	363,632	284,090
Non-current liabilities	-	-
Equity of the owners of the Company	25,414,412	19,195,799
Non-controlling interests	10,738,652	14,119,756
	<u>2013</u>	<u>2012</u>
Revenues	5,339,644	2,745,447
Expenses	(628,519)	(211,175)
Profit of the year	4,711,125	2,534,272
Profit of the year of the owners of the Company	3,371,042	1,412,757
Profit of the year of the non-controlling interests	1,340,083	1,121,515
Profit of the year	4,711,125	2,534,272
Other comprehensive revenues of the owners of the Company	-	-
Other comprehensive revenues of the non-controlling interests	-	-
Other comprehensive revenues of the year	-	-
Other comprehensive income of the owners of the Company	3,371,042	1,412,757
Other comprehensive income of the non-controlling interests	1,340,083	1,121,515
Other comprehensive income of the year	4,711,125	2,534,272
Dividend paid for non-controlling interests	562,909	945,991
Net cash flow generated from operating activities	1,919,800	1,706,736
Net cash flow generated from investing activities	1,016,906	1,192,813
Net cash flow generated from financing activities	(1,980,293)	(2,179,377)
Net cash flow generated	956,413	720,172

Notes to the Consolidated Financial Statements for the year ended 31 December 2013*(All amounts are in Kuwaiti Dinars unless otherwise stated)***34. 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 the preparation of the consolidated financial statements.

Business segment analysis in line with internal reports submitted to management is as follows:

	2013		
	Real estate sector	Investment sector	Total
Income	39,928,772	2,135,447	42,064,219
Direct cost	(6,696,841)	(12,045,096)	(18,741,937)
Gross profit	<u>33,231,931</u>	<u>(9,909,649)</u>	23,322,282
Unallocated costs			(6,916,763)
Currency valuation differences			(48,941)
Net profit			<u>16,356,578</u>

	2012		
	Real estate sector	Investment sector	Total
Income	29,038,886	(2,598,862)	26,440,024
Direct cost	(5,511,785)	(1,509,261)	(7,021,046)
Gross profit	<u>23,527,101</u>	<u>(4,108,123)</u>	19,418,978
Unallocated costs			(7,396,109)
Currency valuation differences			34,077
Net profit			<u>12,056,946</u>

Geographic distribution

	2013			
	Kuwait	GCC	Other	Total
Total revenue	35,407,401	2,404,367	169,963	37,981,731
Total expenses	(11,421,571)	(9,252,404)	(951,178)	(21,625,153)
Net profit / (loss)	<u>23,985,830</u>	<u>(6,848,037)</u>	<u>(781,215)</u>	<u>16,356,578</u>

	2012			
	Kuwait	GCC	Other	Total
Total revenue	23,627,023	718,226	123,342	24,468,591
Total expenses	(8,442,850)	(3,968,795)	-	(12,411,645)
Net profit / (loss)	<u>15,184,173</u>	<u>(3,250,569)</u>	<u>123,342</u>	<u>12,056,946</u>

Assets and liabilities geographic distribution

	Assets		Liabilities	
	2013	2012	2013	2012
State of Kuwait	342,743,540	327,363,168	72,374,031	98,439,190
GCC countries	28,540,960	42,474,156	41,491,075	9,876,317
Other	11,135,776	3,926,757	-	-
	<u>382,420,276</u>	<u>373,764,081</u>	<u>113,865,106</u>	<u>108,315,507</u>