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AL AQARIA

Kuwait Real Estate Holding Company

Kuwait Real Estate Holding K.P.S.C
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«In the name of God

Most Gracious & Beneficient»

KRH

العقارية

AL AQARIA

His Highness
Sheikh Sabah Al-Ahmad
Al-Jaber Al-Sabah
Amir of Kuwait

His Highness
Sheikh Jaber Al-Mubarak
Al-Hamad Al-Sabah
Prime Minister

His Highness
Sheikh Nawaf Al - Ahmad
Al-Jaber Al-Sabah
Crown Prince

Board of Directors

Mr. Mohammed Barrak Al-Mutair
Chairman

Mr. Naji Abdullah Al-Abdulhadi
Vice Chairaman

Mr. Abdullah Mohammad Al-Mutair
Board Member

Mr. Mishal Abdulaziz Al-Nassar
Board Member

Mr. Feras Yousef Al-Ghanim
Board Member

Mr. Soud Abdulaziz Al-Mansour
Board Member

Executive Management

Mr. Tareq Ibrahim Al-Mansour
General Manager

Mr. Sulaiman Ahmad Al-Houti
Manager Admin & Personnel Affairs

Mr. Mohammad Fahad Al-Nemah
Manager Direct Investment Department

Mr. Magdy Mahboub
Deputy Financial Manager

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Chairman's Message

Dear Shareholders,

On behalf of the board of directors of company, I would like to present to you the annual report about activities and major accomplishments achieved during the year ending 31-december 2013 which have been prepared according to the international financial reporting standard.

Dear Attendees:

As the global financial crisis continued to affect the global financial status, inspit of the optimism about the revival of the growth rates and current spending, but the economical performance came under the expectations due to absence of the clear economic strategy, as well as future planes, the matter that effected the performance of the private sector, that is important part of the economy and the state performance.

In-spit of the over increase of the financial surplus and achievement of more than 12.9 billion K.D. in the public budget, but the government spending was less than what was approved within the public budget of 10% , however the current situation requires to increase governmental spending and liberation of the massive projects, as well as improving the work environment and shrinking of the routine procedures.

Dear Attendees:

The financial status of the country is very good, but the economic activity make it very hard to start and succeed with oppurtunties, to encourage banks to provide financing, as the real development is semi-absent and there are many suspended projects years ago, which may cause real flourishing, the housing project is the least and can cause movement of many sectors of the Kuwaiti economy component.

On the level of the Kuwaiti real-estate holding company, the company is well positioned and continuing their operation and works hard to have financial restructuring to have the abilitiy to achieve more better performance within the next years, by controlling the expenses and enhancing the chances of the company, and minimizing it's obligations expenses.

Real-estate holding company, in spite of many years of financial crisis, and their 6th year of work, but it had made many good steps, started by rescheduling of the capital and maintaining the shareholders rights, as well as achieving some good dissociations and settlement of some debits, added to searching for entering highly strong and benefit chances.

Dear Shareholders

By aid of Allah, the administration board continued the good reading of the economical environment via the cooperation between the executive administration and all the company staff, and made the necessary steps to earlier caution of market agitations along the last six years. Moreover, the encouragement and support of the owners and shareholders we continued, to work in-spit of the size of the internal challenges around us, as internal and external political challenges and their impacts that increase the financial effect on the financial market, as well as causing delay or many project.

The financial standing of your Company good and thanks to God we shall continue in spite of the loss incurred by the company last year with an amount of 7.904 million Kuwaiti Dinar in the amount of 42 fils per share comparing to 5.356 million Kuwaiti Dinar in the year 2012 in the amount of 36 fils per share .

The reasons for loss last year are due to the increase of precautionary allocations which the company deemed for public interest. In addition to some decrements in the values of some investments and assets.

Dear shareholders

We hope changing of the governmental trend in managing the state economy, as well as our wishes for the ministries to succeed in remediating the structural imbalances, and to manage to achieve spending cuts, especially with the low or less economic outcome, and to concentrate the giant developmental projects that promote the economic cycle of the state.

In these unstable and unclear atmospheres, the company adheres to the solid policy, as we works according to our available financial capabilities.

We extend our sincere thanks and appreciations to his highness the Emir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah for the continued support provided to the private sector in Kuwait, and to his highness the crown prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and to his highness the prime minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah for their continued support.

We also express our sincere thanks to the ministry of commerce, board members and others for their continued support and cooperation with the company.

Last but not least, we also take this opportunity to thank the staff and the management of Kuwait real estate holding company, our shareholders and clients, for their continued efforts and sincerity.

Chairman

Mr. Mohammad Barrak Al-Mutair

Fatwa & Shari'a Board Report

All praise and thanks be to Allah alone, Prayers and Peace be upon the last prophet and all his family and companions.

To: the Shareholders of Kuwait Real Estate Holding Company

Allah's peace, mercy and blessings be upon you.

As per our engagement for Fatwa and Sharia function, we have audited the contracts and the transactions made by the Company for the period from 01/01/2013 to 31/12/2013. Our responsibility is restricted to expressing an independent opinion about the Company's compliance with the provisions of Islamic Shari'a in its business and activities.

Based on Sharia audit report presented by Sharia Control Department, which conducted audit in accordance with the resolutions issued by the Board in light of standards and controls issued by Accounting & Audit Organization of Islamic Financial Institutions that require us to plan and implement audit and review procedures to obtain all necessary information, interpretations and representations to give a reasonable assurance that the Company is in compliance with the provisions of Islamic Sharia as stated by us. We believe that audits carried out by the Department provide an appropriate basis to give reasonable opinion.

The compliance responsibility to implement contracts and transactions according to the provisions of Islamic Shari'a as set out by us shall reside with the Company's management.

Based on the foregoing, the Board is of the opinion that:

1. During the specified period, the Company has been in compliance with its obligations towards implementation of contracts and transactions in accordance with the provisions of Islamic Sharia as set out in Shari'a based opinions, guidelines and decisions issued by us during the specified period. No Sharia violations contrary to this opinion were found by us.
2. Calculation of Zakat was conducted according to the principles approved by the Board.

Allah's prayers and peace are upon our prophet Muhammad,
his family and companions
Praise be to Allah

Members of Fatwa and Sharia Board

Member	Signature
Dr. Esam Khalaf Al-Enzi	
Dr. Nazem Mohammed Al-Mesbah	
Dr. Suleiman Marafi Safar	
Dr. Khalid Shujaa Al-Otaibi	
Dr. Ibrahim Abdullah Al-Subaiaei	
Dr. Naif Mohammed Al-Ajmi	
Dr. Mohammed Ouad Al-Fuzai'a	

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Independent auditors' report and consolidated financial statements

for the year ended 31 December 2013

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Website: www.ateeqicpas.com

Independent Auditors' Report to Shareholders of Kuwait Real Estate Holding Company K.P.S.C (Holding)

State of Kuwait

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The management is also responsible for the internal control necessary for the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and of 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

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

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

Barrak Al-Ateeqi
License No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International

Kuwait: 31 March 2014

A member of BKR INTERNATIONAL

Financial Reports

for the year ended 31 December 2013

Consolidated Statement of Financial Position
As at 31 December 2013

		2013	2012
Assets	Notes	KD	KD
Non-current assets			
Property, plant and equipment		-	306
Investment properties	5	13,061,327	20,598,971
Goodwill	6	-	920,348
Investments in associates	7	431,711	2,405,032
Available for sale investments	8	19,102,874	23,066,629
		32,595,912	46,991,286
Current assets			
Spare parts and materials inventory		2,146	2,242
Receivables and other debit balances	9	369,351	1,197,461
Investment at fair value through statement of income	10	1,822,897	1,764,433
Cash and cash equivalents	11	3,060,685	4,255,848
		5,255,079	7,219,984
Assets held for sale	12	437,996	-
Total assets		38,288,987	54,211,270
Equity and liabilities			
Equity			
Share capital	13	19,103,898	19,103,898
Share Premium		830,286	830,286
Statutory reserve	14	1,452,034	1,452,034
Treasury shares	16	(1,452,034)	(1,452,034)
Profit reserve from sale of treasury shares		46,038	46,038
Change in fair value reserve		2,048,650	1,723,748
Accumulated losses		(13,261,005)	(5,356,054)
Equity attributable to owners of the Parent Company		8,767,867	16,347,916
Non-controlling interests		1,997,599	2,007,897
Total equity		10,765,466	18,355,813
Non-current liabilities			
Long-term Murabaha payable	17	3,662,299	7,848,035
Purchase of land payables	18	2,329,424	2,329,424
Provision for employees' end of service indemnity		487,390	437,921
		6,479,113	10,615,380
Current liabilities			
Payables and other credit balances	19	1,535,245	3,432,331
Short-term Murabaha payable	17	19,509,163	21,807,746
		21,044,408	25,240,077
Total liabilities		27,523,521	35,855,457
Total equity and liabilities		38,288,987	54,211,270

The accompanying notes on pages 24 to 53 form an integral part of these consolidated financial statements.

Mohammad Barrak Al-Mutair
Chairman

Consolidated Statement of Income
For the year ended 31 December 2013

	Notes	2013 KD	2012 KD
Income / loss			
Net income from rent		210,695	228,566
Net losses from management and maintenance of third party properties		(45,011)	(36,407)
Net profits from supervision contracts		16,692	6,930
Unrealized profits/(losses) on investments at fair value through statement of income		58,464	(896,032)
Profits from sale of available for sale investments	21	140,940	7,478
Profits from disposal of a subsidiary	22	1,926	-
Impairment losses on available for sale investments		(2,552,592)	(1,527,202)
Dividends		46,464	431,152
Change in fair value of investment properties		(4,337,644)	(402,228)
Profits from sale of investment properties		500,000	-
Impairment of goodwill	6	(920,348)	-
Income from wakala investments		39,202	-
Group's share in associates' business results		(12,076)	(836,497)
Foreign exchange differences		(71,951)	(21,974)
Provision no longer required	9	899,732	129,862
Other income		2,724	1,011
Net revenue from financial institutions		24,161	24,909
		(5,998,622)	(2,890,432)
Expense and other charges			
General and administrative expenses	23	(908,224)	(996,896)
Financing charges		(1,183,102)	(1,476,937)
		(2,091,326)	(2,473,833)
Net loss for the year		(8,089,948)	(5,364,265)
Attributable to:			
Owners of the Parent Company		(7,904,951)	(5,356,054)
Non-controlling interests		(184,997)	(8,211)
		(8,089,948)	(5,364,265)
Basic loss per share (Fils)	24	(42.02)	(36.66)

The notes on pages 24 to 53 form an integral part of these consolidated financial statements.

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

	2013	2012
	KD	KD
Net loss for the year	(8,089,948)	(5,364,265)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently in the statement of income:		
Unrealized loss from available for sale investments	(1,912,051)	(912,733)
Transferred to statement of income from sale of available for sale investments	(140,940)	-
Impairment losses of available for sale investments	2,552,592	1,527,202
Group's share in associate' reserves	-	126,895
Total other comprehensive income for the year	499,601	741,364
Total comprehensive loss for the year	(7,590,347)	(4,622,901)
Attributable to:		
Owners of the Parent Company	(7,580,049)	(4,614,690)
Non-controlling interests	(10,298)	(8,211)
	(7,590,347)	(4,622,901)

The accompanying notes on pages 24 to 53 form an integral part of these consolidated financial statements.

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

	Share capital	Share Premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares profit reserve	Change of fair value reserve	Group's share in associate's reserves	Accumulated losses	Equity attributable to owners of the Parent Company	Non-controlling interests	Total Equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2012	31,500,000	-	1,532,115	1,532,115	(1,452,034)	46,038	1,109,279	(126,895)	(18,892,331)	15,248,287	21,196	15,269,483
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	614,469	126,895	(5,356,054)	(4,614,690)	(8,211)	(4,622,901)
Extinguishment of accumulated losses	(17,280,135)	-	(80,081)	(1,532,115)	-	-	-	-	18,892,331	-	-	-
Capital increase	4,884,033	830,286	-	-	-	-	-	-	-	5,714,319	-	5,714,319
Effect of consolidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	1,994,912	1,994,912
Balance at 31 December 2012	19,103,898	830,286	1,452,034	-	(1,452,034)	46,038	1,723,748	-	(5,356,054)	16,347,916	2,007,897	18,355,813
Balance at 1 January 2013	19,103,898	830,286	1,452,034	-	(1,452,034)	46,038	1,723,748	-	(5,356,054)	16,347,916	2,007,897	18,355,813
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	324,902	-	(7,904,951)	(7,580,049)	(10,298)	(7,590,347)
Balance at 31 December 2013	19,103,898	830,286	1,452,034	-	(1,452,034)	46,038	2,048,650	-	(13,261,005)	8,767,867	1,997,599	10,765,466

The accompanying notes on pages 24 to 53 form an integral part of these consolidated financial statements.

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

	Note	2013 KD	2012 KD
Operating activities			
Net loss for the year		(8,089,948)	(5,364,265)
Adjustment for:			
Depreciation		302	8,003
Unrealized (profits)/losses on investments at fair value through statement of income		(58,464)	896,032
Group's share of an associate results		12,076	836,497
Profits from sale of available for sale investments		(140,940)	(7,478)
Impairment losses on available for sale investments		2,552,592	1,527,202
Change in fair value of investment properties		4,337,644	402,228
Gains on sale of investment properties		(500,000)	-
Goodwill impairment losses		920,348	-
Write back of provisions no longer required		(899,732)	(129,862)
Cash dividends		(46,464)	(431,152)
Financing charges		1,183,102	1,476,937
Profit on disposal of a subsidiary		(1,926)	-
Provision for employees' end of service indemnity		83,028	60,963
		(648,382)	(724,895)
Working capital changes:			
Spare parts and materials inventory		96	257
Receivables and other debit balances		114,344	2,020,617
Investment at fair value through statement of income		-	1,022,541
Payables and other credit balances		(373,834)	(59,990)
Cash (used in) / from operations		(907,776)	2,258,530
Employees' end of service indemnity, paid		(33,559)	(54,484)
Net cash (used in) / from operating activities		(941,335)	2,204,046
Investing activities			
Net movement in investment in associates		-	176,355
Proceeds from disposal of a subsidiary		1,926	-
Proceeds from sale of investment properties		13,303	-
Net movement in available-for-sale investments		544,892	(92,731)
Cash dividend received		46,464	431,152
Net cash from investment activities		606,585	514,776
Financing activities			
Murabaha payables		(860,413)	(2,623,976)
Net cash used in financing activities		(860,413)	(2,623,976)
Net (decrease)/ increase in cash and cash equivalents		(1,195,163)	94,846
Cash from consolidation of an associate which became a subsidiary		-	3,134,804
Cash and cash equivalents at beginning of the year		4,255,848	1,026,198
Cash and cash equivalents at end of the year	12	3,060,685	4,255,848

The accompanying notes on pages 24 to 53 form an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Real Estate Holding Company K.P.S.C (Holding) ("the Parent Company") is a closed Kuwaiti shareholding company incorporated on 19 January 1980 in accordance with the Commercial Companies' Law in the State of Kuwait. The Parent Company's share was listed on the Kuwait Stock Exchange on 12 April 2005.

The Parent Company's objectives:

- Acquisition of shares of Kuwaiti or foreign shareholding and limited liability companies as well as participation in those companies' incorporation, administration, lending and providing third party guarantees for these companies.
- Grant loans to the companies in which the Company holds shares, guarantees them before third parties and in this case the contributions ratio of the Company in the capital of the investee companies shall not be less than 20% minimum.
- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside Kuwait.
- Acquisition of movables and properties necessary for the Company to practice its activities pursuant to the limits prescribed by law.
- Utilization of the financial surpluses available with the Parent Company through investing the same in financial portfolios managed by specialized companies and entities.

The Parent Company shall, in conducting its business activities, comply with Noble Islamic Sharia principles.

The Group comprises the Parent Company and its subsidiaries (together referred to as "the Group"). Details of subsidiary companies are set out in Note (3.3).

The address of the Parent Company is P.O. Box 26371, Safat 13124, State of Kuwait.

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

According to articles 2 and 3 of the Decree, Executive Regulations, which were issued by the Ministry of Commerce and Industry on 29 September 2013 and published in the Official Gazette on 6 October 2013, determine the basis and rules which the Parent Company shall adopt to regularize its affairs with the Companies' Law as amended, within a period of one year from date of its issuance in the Official Gazette.

The consolidated financial statements of Kuwait Real Estate Holding Company K.P.S.C (Holding) and its subsidiaries (the Group) for the year ended 31 December 2013 were authorized for issue by the Parent Company's board of directors on 31 March 2014 and are subject to the approval of the Annual General Assembly of the shareholders. The Parent Company's shareholders have the right to amend these consolidated financial statements in the Annual General Assembly.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

The accounting policies used in the preparation of these consolidated financial statements are consistent with that used in the preparation of the annual consolidated financial statements of the previous year except the application of the new and revised standards during the year:

2.1.1 New and revised standards issued and effective

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendment affects presentation only and has no impact on the Group's consolidated financial position or performance. The Group has made this disclosure in the consolidated statement of comprehensive income.

IFRS 10, 'Consolidated Financial Statements'

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and of SIC-12 Consolidation – Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor›s returns. The adoption of this standard has not resulted in any significant impact on the consolidated financial position or performance of the Group.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 "Interests in Joint Ventures". 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard has no effect on either, the financial position or performance of the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. The adoption of this standard has resulted in an additional disclosure in the consolidated financial statements.

As a consequence of the new IFRS 11 and IFRS 12; IAS 28 has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard has not resulted in any significant impact on the consolidated financial position or performance of the Group.

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, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The adoption of this standard has resulted in an additional disclosure in the consolidated financial statements.

Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments did not impact the Group's consolidated financial position or performance.

The other amendments to IFRS which are effective for annual account period starting from 1 January 2013 didn't have any material impact on the accounting policies, consolidated financial position or performance of the Group.

2.1.2 New / revised IFRSs in issue but not yet effective and not early adopted by the Group

Disclosures and 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 amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

IFRS 9 'Financial instruments' (Revised effective date open until all other outstanding phases of IFRS 9 have been finalised)

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010 and November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continues)

2.1.2 New / revised IFRSs in issue but not yet effective and not early adopted by the Group (Continues)

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

3. Significant accounting polices

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Companies' Law of No. 25 of 2012.

3.2 Basis of preparation

These financial statements are presented in Kuwaiti Dinars ("KD"), which is the Group's functional and presentation currency, and are prepared under the historical cost convention, except for fair value measurement of investments classified at fair value through statement of income, available for sale investments and investment properties.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented unless otherwise stated.

3.3 Basis of consolidation

The consolidated financial statements comprise of the Parent Company and its subsidiaries drawn up to 31 December 2013 (See note 3.3). All subsidiaries have a reporting date of 31 December.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The financial statements

3. Significant accounting polices (Continues)

3.3 Basis of consolidation (Continues)

of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany profits or losses and unrealised profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Profits or losses on disposals of non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to the consolidated statement of income or transferred directly to retained earnings as specified by applicable IFRSs).

Details of subsidiary companies are set out below:

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (the Group) as follows:

Company name	Ownership interest		Country of incorporation	Company objectives
	2013	2012		
Al Omran Real Estate Development Company K.S.C. (Closed)	96%	96%	State of Kuwait	Investment and development of real estates
Time Line Project Management K.S.C. (Closed)	80%	80%	State of Kuwait	Project management & maintenance in Kuwait and abroad
First National for Consulting K.S.C. (Closed)	99%	99%	State of Kuwait	Management consulting
Olive VFM Consulting -Kuwait K.S.C. (Closed).	99%	99%	State of Kuwait	Management consulting
National Vision for trading Co. W.L.L	99%	99%	State of Kuwait	General trading
Al-Fanar Investment Company K.S.C.(Closed)	83.43%	83.43%	State of Kuwait	Investment

3. Significant accounting polices (Continues)

3.3 Basis of consolidation (Continues)

The total assets of subsidiaries amounted to KD 27,357,939 as at 31 December 2013 (31 December 2012: 40,810,777) and their total losses amounted to KD 5,412,051 for the year ended 31 December 2013 (31 December 2012: loss of KD 1,161,089).

3.4 Business combinations

Acquisitions of companies and businesses 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 assets transferred by the Group, liabilities incurred or assumed by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 "Financial Instruments; Recognition and Measurement" or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) 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 vale of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognize amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

3. Significant accounting polices (Continues)

3.4 Business combinations (Continues)

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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 (i.e. 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.

3.5 Property, plant and equipment

Property, plant and equipment are stated in the consolidated financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the group's accounting policy (see finance costs policy 3.19). Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalized.

The profit or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in consolidated statement of income in the period in which they occur.

3.6 Investment properties

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

Investment properties are revalued annually and are included in the statement of financial position at their open market values. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

Any profit or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise.

3. Significant accounting polices (Continues)

3.7 Goodwill

Goodwill arising on an acquisition of a subsidiary or jointly controlled company represents the excess of the cost of the acquisition over the fair value of Company's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or jointly controlled company as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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 on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of income any excess remaining after that remeasurement.

3.8 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

3.9 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in associate is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the associate, less any impairment in value and the consolidated statement of income reflects the group's share of the results of operations of the associate.

3. Significant accounting polices (Continues)

3.9 Investment in associates (Continues)

Any excess of the cost of acquisition over the group›s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group›s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

All subsequent changes to the Group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes resulting from other comprehensive income of the associate or items recognised directly in the associate's or equity of the Group, as applicable.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized profits on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associate's financial statements are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

3.10 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 are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, except for those financial assets and financial liabilities carried at fair value through statement of income, which are initially measured at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

3. Significant accounting polices (Continues)

3.10 Financial instruments (Continues)

3.10.1 Financial assets

Financial assets are classified into the following specified categories: 'investments at fair value through statement of income' (FVTSI), and 'available for sale investments' (AFS). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

a) Investment at fair value through statement of income

Investments are classified as at FVTSI where the financial asset is either held for trading or it is designated as at FVTSI. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; or (ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

A financial asset, other than a financial asset held for trading, may be designated as at fair value through statement of income upon initial recognition if: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is valuated on a fair value basis, in accordance with the Group›s documented risk management or investment strategy, and information about consolidation that is provided internally on that basis.

Financial assets at FVTSI are stated at fair value, with any resultant profit or loss recognized in the consolidated statement of income. The net profit or loss recognised in the consolidated statement of income incorporates any dividend or returns earned on the financial asset.

b) Available for sale investments

The Group's investments in equity securities are classified as available for sale investments and are stated at fair value. Fair value is determined in the manner described in note 24. Gains and losses arising from changes in fair value are recognized in other comprehensive income and reported within fair value reserve in equity with the exception of impairment losses. These losses are recognized in the statement of income Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

3.10.2 Impairment of financial assets

Financial assets, other than those at fair value through statement of income, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where 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 impacted.

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

For receivables and loans and advances, objective evidence of impairment could include: (i) significant

3. Significant accounting polices (Continues)

3.10 Financial instruments (Continues)

financial difficulty of the issuer or counterparty; or (ii) default or delinquency in principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of murabaha and receivables, where the carrying amount is reduced through the use of an allowance account.

When receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Changes in the carrying amount of the allowance account are recognized in the consolidated statement of income.

When an available for sale investment is considered to be impaired, cumulative profits or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of available for sale investments, impairment losses previously recognised through the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

3.10.3 Financial liabilities

The Group's financial liabilities include murabaha payables, borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortized cost, except for financial liabilities held for trading or designated at fair value through statement of income, that are carried at fair value with profits or losses recognized in the statement of income.

3.11 Inventories

Inventories, representing spare parts, are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the purchase of inventory. Net realizable value represents the estimated selling price less all completion costs necessary for the finalization of selling.

Spare parts are not intended for resale and are stated at cost after making allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis.

3. Significant accounting polices (Continues)

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value with an original maturity of three months or less, net of bank overdrafts.

3.13 Equity, reserves and dividend payments

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

Profits and losses resulting from some financial instruments are recognized under reserves for available for sale investments.

Retained earnings / losses include all current and prior period retained earnings / losses.

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

3.14 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares profit reserve"), which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the profit on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3.15 Provision for employees' end of service indemnity

Provision is made for amounts payable to employees under the Kuwait labor law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the statement of financial position date, and approximates the present value of the final obligation.

3.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3. Significant accounting polices (Continues)

3.16 Provisions (Continues)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.17 Revenue recognition

Lease income is recognized on accrual basis, and the profit resulting from management and maintenance of third party properties, and construction and cleaning contracts is recognized on a time proportion basis according to the principles and rates stated in these contracts. Income from real estate investments is recognized on finalization of sale transaction and transfer of risks to the purchaser. Income from financial investments is recognized on finalization of sale transaction.

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

Rental income is recognized on a straight-line basis over the term of the relevant lease.

3.18 Foreign currency translation

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Parent Company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange profits and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

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

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period.

3. Significant accounting polices (Continues)

3.19 Financing costs (Continues)

Financing costs primarily comprise costs on the Group's murabaha. Financing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other financing costs are expensed in the period in which they are incurred and are recognised in consolidated statement of income in the period in which they are incurred.

4. Significant accounting judgements and estimation uncertainty

Accounting judgments

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements.

Impairment of investments

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Investment classification

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, available for sale or held to maturity investments.

Financial investments at fair value are investments which are designated as held for trading investments and investments at fair value, at initial recognition, through consolidated statement of income on initial recognition.

Classification of investments as investments at fair value through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through statement of income. All other investments are classified as available for sale or held to maturity investments.

Classification of investment property

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

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

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

4. Significant accounting judgements and estimation uncertainty (Continues)

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

Estimates uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the consolidated financial statements within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following recent arm's length market transactions:

- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

5. Investment properties

	2013	2012
	KD	KD
Investment properties		
Balance at beginning of the year	20,598,971	21,001,199
Disposals	(3,200,000)	-
Transfer from properties under development	-	-
Change in fair value	(4,337,644)	(402,228)
Balance at end of the year	13,061,327	20,598,971

Investment properties were recognized at fair value determined based on independent valuers one of them is a local bank for local properties and independent valuers for properties outside Kuwait and the lower value was adopted to determine the fair value as at 31 December 2013. The data of the valuers are as follows:

State of Kuwait:	Kuwait Finance House and Group International Real Estate.
Kingdom of Bahrain:	Silver Gate Properties and Bin Faqeeh Real Estate Investment.
Sultanate of Oman:	International Friends Trading and Contracting, First Choice, Calutounz and Brokers International.
Kingdom of Saudi Arabia:	Al-Baidaa Real Estate Services and Sahel Al Khalidia Real Estate.
United Arab Emirates:	Warba Real Estate and Light House Real Estate.

5. Investment properties (Continues)

The fair value of the properties was determined according to transactions done for similar properties known in the market because of the nature of the properties and availability of comparative data.

The investment properties by geographical location are as follows:

	2013	2012
	KD	KD
State of Kuwait	2,635,000	5,736,750
Kingdom of Bahrain	497,959	927,857
Sultanate of Oman	468,138	900,017
KSA	9,174,595	9,285,450
UAE	285,635	3,748,897
	13,061,327	20,598,971

6. Goodwill

The Group has carried out a valuation for goodwill by an independent valuer. The valuation has showed an impairment of goodwill of KD 920,348 and has been recognized in the statement of income as goodwill impairment loss for the year ended 31 December 2013.

7. Investments in associates

Company name	Ownership interest		2013	2012
	2013	KD	KD	KD
	%	%		
Olive FM (holding B.S.C (closed))	24.5	24.5	431,711	629,251
Kuwaiti African Holding Company – T.S.C. (Holding)	-	50	-	1,775,781
			431,711	2,405,032

The movement on investments in associates is as follows:

	2013	2012
	KD	KD
Balance at the beginning of the year	2,405,032	6,532,180
Additions from acquisition during the year	-	1,775,781
Transferred to investment in a subsidiary	-	5,066,432))
Group's share of associates results	(12,076)	(836,497)
Transferred to assets held for sale (note 12)	(1,961,245)	-
Balance at 31 December 2013	431,711	2,405,032

7. Investments in associates (Continues)

The Group's share in Olive FM (B.S.C Holding (closed)) is recognized based on audited financial statements as at 31 December 2013.

The group's share in the assets, liabilities, revenues, and net profits of associates is as follows:-

Company name	Fair value	Assets	Liabilities	Revenues	Share of business results
		KD	KD	KD	KD
31 December 2013					
Olive FM (holding B.S.C (closed))	Unquoted	652,771	(221,060)	134,003	(197,540)
Kuwaiti African Holding Company – T.S.C. (Closed)	Unquoted	-	-	189,165	185,464
		652,771	(221,060)	323,168	(12,076)
31 December 2012					
Olive FM (holding B.S.C (closed)		728,565	(99,314)	164,269	(105,373)
Kuwaiti African Holding Company – T.S.C. (Closed)	Unquoted	1,841,440	(65,659)	99,598	93,223
Al-Fanar Investment Company K.S.C. Closed)	Unquoted	-	-	394,542	(824,347)
		2,570,005	(164,973)	658,409	(836,497)

8. Available for sale investments

	2013	2012
	KD	KD
Investment in quoted local shares	4,870,096	4,927,282
Investment in unquoted local shares	11,881,802	15,422,759
Investment in quoted foreign shares	314,452	267,487
Investment in unquoted foreign shares	2,036,524	2,449,101
	19,102,874	23,066,629

The Group's management recognized impairment losses in local and foreign unquoted investments of KD 2,552,592 as at 31 December 2013 resulting from the sharp decline in the fair value of these investments (31 December 2012: KD 1,527,202).

Available for sale investments include an amount of KD 1,586,655 representing an investment in the share capital of one of the major shareholders of the Parent Company "related party" (KD 2,869,020 as at 31 December 2012).

8. Available for sale investments (Continues)

Movement on available for sale investments represents:

	2013	2012
	KD	KD
Balance at beginning of the year	23,066,629	12,533,729
Additions	203,187	11,504,467
Disposals	(573,382)	-
Disposals for debt settlement (note 21)	(1,365,870)	-
Change in fair value	324,902	555,635
Impairment of available for sale investments	(2,552,592)	(1,527,202)
	19,102,874	23,066,629

9. Receivables and other debit balances

	2013	2012
	KD	KD
Trade receivables	976,645	953,471
Other receivables	190,779	267,259
Wakala investments	-	1,673,200
Provision for doubtful debts	(856,210)	(1,755,942)
	311,214	1,137,988
Prepaid expenses	15,743	20,802
Due from employees	22,937	15,275
Accrued revenues	6,479	9,881
Refundable deposits	12,978	13,515
	369,351	1,197,461

Most trade receivables consist of due from ministries and government bodies The credit period agreed upon on in these contracts is 45 days. No interests or other charges are added to the overdue trade receivables.

Movement on the provision is as follows:

	2013	2012
	KD	KD
Balance at beginning of the year	1,755,942	1,885,804
Write back of provision	(899,732)	(129,862)
Balance at end of the year	856,210	1,755,942

10. Investment at fair value through statement of income

	2013	2012
	KD	KD
Quoted local financial portfolios	1,400,550	1,764,433
Foreign investments	422,347	-
	1,822,897	1,764,433

Certain investments at fair value through statement of income are in a related party and managed by another related party (note 20)

11. Cash and cash equivalents

	2013	2012
	KD	KD
Cash in hand and at financial institutions	672,350	1,663,859
Investment deposit	500,000	500,000
Cash at investment portfolios	47,710	69,493
Investment saving account	1,840,625	2,022,496
	3,060,685	4,255,848

A return on Company's saving account at 1.31 % is realized (2012: 1.29%) annually.

The investment deposit matures within three months from placement. Return is calculated according to the prevailing commercial rates.

12. Assets held for sale

During December 2013, management of a subsidiary has decided to liquidate its associate - Kuwaiti African Holding Company – T.S.C. (Closed) at 50%. The Group expects that the liquidation will be conducted during a year, and therefore, the investment in this associate was classified to non-current assets held for sale of KD 437,996 as at 31 December 2013.

13. Share capital

The company's authorized, issued and fully paid capital comprises of KD 19,103,898 (31 December 2012: KD 19,103,898) allocated over 191,038,980 shares of nominal value 100 fils per share (31 December 2012: 191,038,980 shares) and all shares are in cash.

Share premium is not available for distribution.

14. Statutory reserve

In accordance with the Companies' Law, as amended, and the Parent Company's Articles of Association, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount. No transfer to statutory reserve was made because of the losses incurred.

15. Voluntary reserve

In accordance with the Parent Company's articles of association, a percentage is transferred to the voluntary reserves as proposed by the board and approved by the general assembly. This transfer was stopped by a resolution of the general assembly of shareholders based on a proposition from the board of directors. No transfer to voluntary reserve was made because of the losses incurred.

16. Treasury shares

	2013	2012
Number of shares (No's)	2,910,761	2,910,761
Percentage of issued shares (%)	2.05	2.05
Market value (KD)	200,842	126,618
Cost (KD)	1,452,034	1,452,034

17. Murabaha payables

	2013	2012
	KD	KD
Maturing within one year	19,509,163	21,807,746
Maturing after more than one year	3,662,299	7,848,035
	23,171,462	29,655,781

Murabaha payable is granted by local financial institutions against some investment properties (note 5) and available for sale investments (note 8). The average effective interest rate is 5% as at 31 December 2013 (31 December 2012: 6%)

18. Purchase of land payables

This item represents the payable due on purchase of land in Jebel Ali area in UAE.

19. Payables and other credit balances

	2013	2012
	KD	KD
Trade payables	1,194,092	1,186,995
Due to a related party	-	1,839,538
Accrued expenses and leave	157,717	148,019
Third party insurance	92,738	90,815
Other credit balances	90,698	166,964
	1,535,245	3,432,331

20. Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the group, and entities controlled or significantly influenced by such parties.

Pricing policies and terms of these transactions are approved by the Group's management. Related parties transactions are as follows:

	2013	2012
	KD	KD
Consolidated statement of financial position:		
Investment at fair value through statement of income	1,149,750	1,149,750
Available for sale investments	1,586,655	1,586,655
Payables and other credit balances	-	1,839,538
Consolidated statement of income		
Dividends income	-	375,850
Senior management benefits and salaries	236,935	285,283
Portfolio management fees	960	995
Management and maintenance contract income	33,349	34,890
Finance charges	-	133,974

21. Debt reconciliations

On 30 May 2013, one of the Group's subsidiaries has concluded assignment of debt contract with one of the subsidiary's creditors of the value of wakala payables and a related party which is debtor to the subsidiary, as follows:

The outstanding liability of the subsidiary, which represents wakala payables and their consequent finance costs, is transferred to the related party which is debtor to the subsidiary.

21. Debt reconciliations (Continues)

The subsidiary assigns investment wakala and their consequent profit for the benefit of the related party, to which the liability will be transferred against payment of the wakala payables and finance costs thereof.

The company assigns unquoted local and foreign available for sale investments to this party.

Analysis of the reconciliation is as follows:

	Debt reconciliations
	KD
Wakala payables transferred to related party	3,120,311
Investment wakala with related party	(1,613,501)
Available for sale investments assigned to related party	(1,365,870)
Profit arising from settlement related to valuation of available for sale investments	140,940

22. Disposal of a subsidiary

On 25 December 2013, the subsidiary's management has sold one of its subsidiaries - Khibrat Al-Fanar General Trading & Contracting CO. W.L.L, a subsidiary owned at 99%, by distributing all the assets of Khibrat Al-Fanar to the parent company - Al Fanar Investment Company K.S.C (closed) - a subsidiary of Kuwait Real Estate Holding Company K.S.C (Holding). The assets at the date of distribution were as follows:

	25 December 2013
	KD
Cash and cash equivalents	139,990
Available for sale investments	9,228
Total assets	149,218

The license of Khibrat Al-Fanar General Trading & Contracting CO. W.L.L, a subsidiary, has been sold realizing a profit of KD 1,926 included in the statement of income for the year ended 31 December 2013. The remaining share was assigned to the subsidiary – Al Fanar Investment Company K.S.C (Closed).

23. General and administrative expenses

	2013	**2012**
	KD	KD
Senior management benefits and salaries	236,935	285,283
Staff costs	442,705	460,084
Depreciation	302	8,003
Others	228,282	243,526
	908,224	996,896

24. Basic loss per share

Basic loss per share are calculated by dividing the net losses for the year attributable to the Parent Company's owners by the weighted average number of ordinary shares outstanding during the year taking into account treasury shares, as follows:

	2013	2012
Net loss for the year attributable to the owners of the Parent Company (KD)	(7,904,951)	(5,356,054)
Weighted average number of outstanding shares (share)	188,128,219	146,112,154
Loss per share (fils)	(42.02)	(36.66)

25. Operating Segments

Operating segments are identified on the basis of internal reports about the Group's components which are regularly reviewed by the chief operating decision maker in order to assess its performance. The management has classified the Group's products and services into the following operational segments according to the IFRS 8: Operating Segments":

- Real Estate Management
- Supervision management
- Investment properties
- Financial investments
- Other

The inter transactions between operating segments are priced at cost. Only the operating segments revenues from external clients are stated, whereas the inter transactions between these segments are excluded. The operating segments profit represents the profit realized from each segment without distributing the general and administrative expenses and other expenses according to the policy adopted in preparing and submitting the internal reports to the chairman and the managing director to take operating decision.

	Operating segments (losses)/revenues		Operating segments (losses)/ profits	
	2013	2012	2013	2012
	KD	KD	KD	KD
Real Estate Management	243,095	192,159	210,695	228,566
Supervision Management	55,250	36,000	16,692	6,930
Real estate investments	3,844,103	24,102	(3,882,655)	(438,635)
Financial investments	1,385,652	949,244	(2,346,078)	(2,688,304)
	5,528,100	1,201,505	(6,001,346)	(2,891,443)
Others	2,724	1,486	2,724	1,011
	5,530,824	1,202,991	(5,998,622)	(2,890,432)
General and administrative expenses			(908,224)	(996,896)
Financing charges			(1,183,102)	(1,476,937)
Net loss for the year			(8,089,948)	(5,364,265)

25. Operating Segments (Continues)

The following is the analysis of assets and liabilities of operating segments for the purposes of monitoring segment performance and allocation of resources among them:

	As at 31 December	
	2013	2012
	KD	KD
Assets		
Real Estate Management	106,489	101,597
Supervision Management	156,959	139,751
Real estate investments	13,955,082	21,201,148
Financial investments	24,070,457	32,768,774
	38,288,987	54,211,270

	As at 31 December	
	2013	2012
	KD	KD
Liabilities		
Real Estate Management	102,589	157,591
Supervision Management	27,360	27,146
Real estate investments	8,789,500	12,344,195
Financial investments	18,604,072	23,326,525
	27,523,521	35,855,457

Geographical segments:

	Assets		(Losses)	
	2013	2012	2013	2012
	KD	KD	KD	KD
State of Kuwait	23,052,813	34,227,428	(1,660,978)	(2,645,083)
Outside the State of Kuwait	15,236,174	19,983,842	(4,337,644)	(246,349)
	38,288,987	54,211,270	(5,998,622)	(2,891,432)

26. Financial instruments

a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, through the optimisation of the debt and equity balance 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 debt and or sell assets to reduce debt.

Consistent with the industry norm, the Group monitors capital on the basis of percentage of borrowing rate, which is calculated by net borrowing value divided by total invested capital. Net debt is calculated as total borrowings (murabaha payables) less cash and cash equivalents. Total invested capital is calculated by total equity and net borrowing.

Gearing ratio

	2013	2012
	KD	KD
Murabaha payables	23,171,462	29,655,781
Cash and cash equivalents	(3,060,685)	4,255,848))
Net lending	20,110,777	25,399,933
Equity attributable to owners of the Parent Company	8,767,867	16,347,916
Capital invested	28,878,644	41,747,849
Gearing ratio	69.7%	60.8%

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 Group's credit policy and exposure to credit risk are monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities and obtaining the suitable guarantees when appropriate. The maximum credit risk exposure is not materially different from the carrying values in the consolidated statement of financial position.

26. Financial instruments (Continues)

c) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consists principally of investments at fair value through statement of income and available for sale investments. 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 following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	2013			2012		
	Change in equity price	**Effect on statement of income**	**Effect on statement of other comprehensive income**	**Change in equity price**	**Effect on statement of income**	**Effect on statement of other comprehensive income**
	%	KD	KD	%	KD	KD
Investments at fair value through statement of income	±5	91,145	-	±5	88,222	-
Available for sale investments	±5	-	955,144	±5	-	1,153,331

d) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The management monitors the positions on a daily basis to ensure positions are maintained within established limits

26. Financial instruments (Continues)

d) Foreign currency risk management (Continues)

The effect on profit (due to change in the fair value of net assets), as a result of change in currency rate, with all other variables held constant is shown below:

	2013	2012
	KD	KD
Saudi Riyal	10,330,444	10,441,299
UAE Dirham	1,166,309	4,629,572
US Dollar	522,358	41,249
Bahrain Dinar	917,413	1,195,342
Omani Riyal	596,463	943,617

Assuming an increase in foreign exchange by 5%, the statement of income shall be affected by an amount of KD 676,649 for the year ended 31 December 2013 (KD 862,554 for the year ended 31 December 2012).

e) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the company periodically invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

As a result of decrease of current ratio, the Group has subsequently signed a credit limit agreement that allows rescheduling of short term financing (maturing within one year) for one year or more automatically with a return rate increase at 0.5% for each additional year .

The table below summarises the maturity profile of the company's undiscounted financial liabilities based on contractual undiscounted repayment obligations.

31 December 2013	Within months	1 – 3 months	3-12 months	1-5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payables	10,946	13,105	19,485,112	3,662,299	-	23,171,462
Payables and other credit balances	-	-	1,535,245	-	-	1,535,245
Purchase of land payables	-	-	-	2,329,424	-	2,329,424
Provision for employees' end of service indemnity	-	-	-	-	487,390	487,390
Total liabilities	10,946	13,105	21,020,357	5,991,723	487,390	27,523,521

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For the year ended 31 December 2013

26. Financial instruments (Continues)

e) Liquidity risk (Continues)

31 December 2012	Within months	1 – 3 months	3-12 months	1-5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payables	11,095	53,750	21,742,901	7,848,035	-	29,655,781
Payables and other credit balances	-	-	3,432,331	-	-	3,432,331
Purchase of land payables	-	-	-	2,329,424	-	2,329,424
Provision for employees' end of service indemnity	-	-	-	-	437,921	437,921
Total liabilities	11,095	53,750	25,175,232	10,177,459	437,921	35,855,457

f) Fair value of financial instruments

a) Valuation techniques and assumptions applied for the purposes of measuring fair value

- The fair values of financial assets are determined as follows.
- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of financial assets (unquoted funds and bonds) are determined based on prices from observable current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with the acceptable pricing models.

b) Fair value measurements recognized in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

26. Financial instruments (Continues)

f) Fair value of financial instruments (Continues)

31 December 2013	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investment at fair value through statement of income				
Unquoted equities	1,822,897	-	-	1,822,897
Available for sale investments				
Quoted equities	5,184,548	-	-	5,184,548
Unquoted equities	-	-	13,918,326	13,918,326
Total	7,007,445	-	13,918,326	20,925,771

31 December 2012	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investment at fair value through statement of income				
Shares in quoted financial portfolios	1,764,433	-	-	1,764,433
Available for sale investments				
Quoted equities	5,194,769	-	-	5,194,769
Unquoted equities	-	-	17,871,860	17,871,860
Total	6,959,202	-	17,871,860	24,831,062

27. Shareholders general assembly

On 26 May 2013, the Parent Company's General Assembly of shareholders approved the financial statements for the year ended 31 December 2012 and not distributing dividends for the this financial year.

The board of directors has recommend to the parent company's general assembly meeting of the shareholders held on 31 March 2014 not to distribute dividends for the year ended 31 December 2013.

28. Subsequent events

On 27 March 2014, an offsetting and debt settlement contract was signed to one of the main creditors of the parent company of KD 3,000,000 against the parent company's assignment of available for sale investments for this party. As a result, the parent company has achieved a discount in its favor of KD 148,836 resulting from this settlement.

28. Subsequent events (Continues)

The parent company's management is currently in negotiations with its creditor parties to settle its debt to these parties by the settling these debts by offering available for sale investments or investment properties.

29. Contingent commitments and liabilities

	2013	2012
	KD	KD
Capital commitments		
Bank guarantees	1,292,590	1,468,340

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