KUWAIT BUSINESS TOWN REAL ESTATE COMPANY K.S.C.P. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

P.O.Box 1486,
Safat 13015 Kuwait
Tel: +965 22443222
22442333
Fax : +965 22461225

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT BUSINESS TOWN REAL ESTATE COMPANY K.S.C.P.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kuwait Business Town Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively 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 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

EY
Building a better working world

BAKER TILLY
KUWAIT
Dr. Saud Hamad Al-Humaidi & Partners
Public Accountants

INDEPENDENT AUDITORS' REPORT THE SHAREHOLDERS OF KUWAIT BUSINESS TOWN REAL ESTATE COMPANY K.S.C.P. (continued)

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 its financial performance and 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 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 Memorandum of Incorporation and Articles of Association , that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Parent Company or on its financial position.

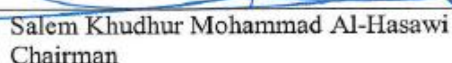
WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

DR. SAUD HAMAD AL-HUMAIDI
LICENSE NO. 51 A
OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

5 February 2014
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	***2013 KD***	*2012 KD*
ASSETS			
Bank balances and cash	4	**789,688**	811,919
Investments at fair value through statement of income	5	**361,874**	10,134,562
Accounts receivable and prepayment		**864,280**	2,486,775
Investments available for sale	6	**22,788,728**	49,892,207
Investment properties	7	**34,639,667**	37,590,794
Property under development	8	-	13,000,000
Property and equipment		**70,167**	49,692
Total assets		**59,514,404**	113,965,949
LIABILITIES AND EQUITY			
Liabilities			
Short term loan and bank facilities	9	**321,761**	48,585,216
Accounts payable and accruals	10	**4,172,740**	7,773,054
Term loans	11	**3,402,756**	6,236,084
Total liabilities		**7,897,257**	62,594,354
Equity			
Share capital	12	**78,568,800**	78,568,800
Treasury shares	12	-	(162,406)
Statutory reserve	12	**1,958,607**	1,958,607
Voluntary reserve	12	**1,958,607**	1,958,607
Cumulative changes in fair values		**5,438**	4,106,304
Accumulated losses		**(30,876,087)**	(35,063,837)
Equity attributable to equity holders of the Parent Company		**51,615,365**	51,366,075
Non-controlling interests		**1,782**	5,520
Total equity		**51,617,147**	51,371,595
Total liabilities and equity		**59,514,404**	113,965,949



Salem Khudhur Mohammad Al-Hasawi
Chairman

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2013

	Notes	***2013*** ***KD***	*2012* *KD*
REVENUE			
Rental income		**2,270,710**	1,946,628
Net investment (loss) income	13	**(16,666,954)**	1,328,435
Gain on sale of investment properties	7	**1,486,250**	-
Change in fair value of investment properties	7	**1,048,873**	(8,236,356)
Change in fair value of property under development	8	-	(2,500,000)
Gain on sale of property under development	8	**4,910,000**	-
Gain on settlement of short term loan and bank facilities	9	**14,423,617**	-
Interest income		**1,230**	1,128
Other income		**78,047**	29,566
		7,551,773	(7,430,599)
EXPENSES			
General and administrative expenses		**(1,154,633)**	(905,751)
Finance costs		**(1,950,184)**	(4,106,969)
		(3,104,817)	(5,012,720)
PROFIT (LOSS) FOR THE YEAR BEFORE CONTRIBUTION TO ZAKAT AND NATIONAL LABOR SUPPORT TAX (NLST)		**4,446,956**	(12,443,319)
Zakat		**(110,285)**	-
NLST		**(33,518)**	-
PROFIT (LOSS) FOR THE YEAR		**4,303,153**	(12,443,319)
Attributable to:			
Equity holders of the Parent Company		**4,301,745**	(12,438,642)
Non-controlling interests		**1,408**	(4,677)
		4,303,153	(12,443,319)
EARNINGS (LOSS) PER SHARE:			
Basic and diluted earnings (loss) per share attributable to equity holders of the Parent Company	14	**5.48 fils**	(15.85) fils

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	***2013*** ***KD***	*2012* *KD*
Profit (loss) for the year		**4,303,153**	(12,443,319)
Other comprehensive loss:			
Other comprehensive loss to be reclassified to consolidated statement of income in subsequent periods:			
Investments available for sale:			
- Net change in fair values of investments available for sale		**(20,109,151)**	(1,321,251)
- Realised loss (gain) on sale of investments available for sale transferred to consolidated statement of income	13	**164,944**	(744,201)
- Impairment loss on investments available for sale transferred to consolidated statement of income	13	**15,843,341**	1,344,216
Foreign currency translation adjustment		**(5,146)**	(1,079)
Other comprehensive loss for the year		**(4,106,012)**	(722,315)
Total comprehensive income (loss) for the year		**197,141**	(13,165,634)
Attributable to:			
Equity holders of the Parent Company		**200,879**	(13,159,878)
Non-controlling interests		**(3,738)**	(5,756)
		197,141	(13,165,634)

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to equity holders of the Parent Company								
	Share capital KD	*Treasury shares KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Cumulative changes in fair values KD*	*Accumulated losses KD*	*Sub total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2013	78,568,800	(162,406)	1,958,607	1,958,607	4,106,304	(35,063,837)	51,366,075	5,520	51,371,595
Profit for the year	-	-	-	-	-	4,301,745	4,301,745	1,408	4,303,153
Other comprehensive loss for the year	-	-	-	-	(4,100,866)	-	(4,100,866)	(5,146)	(4,106,012)
Total comprehensive income for the year	-	-	-	-	(4,100,866)	4,301,745	200,879	(3,738)	197,141
Sale of treasury shares	-	162,406	-	-	-	(113,995)	48,411	-	48,411
As at 31 December 2013	**78,568,800**	-	**1,958,607**	**1,958,607**	**5,438**	**(30,876,087)**	**51,615,365**	**1,782**	**51,617,147**
As at 1 January 2012	78,568,800	(162,406)	1,958,607	1,958,607	4,827,540	(22,625,195)	64,525,953	11,276	64,537,229
Loss for the year	-	-	-	-	-	(12,438,642)	(12,438,642)	(4,677)	(12,443,319)
Other comprehensive loss for the year	-	-	-	-	(721,236)	-	(721,236)	(1,079)	(722,315)
Total comprehensive loss for the year	-	-	-	-	(721,236)	(12,438,642)	(13,159,878)	(5,756)	(13,165,634)
As at 31 December 2012	78,568,800	(162,406)	1,958,607	1,958,607	4,106,304	(35,063,837)	51,366,075	5,520	51,371,595

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	**2013** KD	2012 KD
OPERATING ACTIVITIES			
Profit (loss) for the year		**4,303,153**	(12,443,319)
Net investment loss (income)	13	**16,666,954**	(1,328,435)
Gain on sale of property		**(1,486,250)**	-
Change in fair value of investment properties		**(1,048,873)**	8,236,356
Gain on sale of property under development		**(4,910,000)**	-
Change in fair value of property under development		-	2,500,000
Gain on settlement of short term loan and bank facilities		**(14,423,617)**	-
Interest income		**(1,230)**	(1,128)
Finance costs		**1,950,184**	4,106,969
Depreciation		**26,234**	18,596
		1,076,555	1,089,039
Changes in operating assets and liabilities:			
Accounts receivable and prepayment		**(289,753)**	(1,147,197)
Accounts payable and accruals		**431,570**	(168,331)
Net cash from (used in) operating activities		**1,218,372**	(226,489)
INVESTING ACTIVITIES			
Net movement in investments at fair value through statement of income		**11,419**	6,237,445
Proceeds from sale of investments available for sale		**79,008**	2,437,812
Purchase of investments available for sale		**-**	(2,025,200)
Purchase of investment properties	7	**(103,750)**	(6,000,000)
Purchase of property and equipment		**(46,709)**	(11,113)
Interest income received		**1,230**	1,128
Dividend received		**586,192**	1,405,289
Net cash from investing activities		**527,390**	2,045,361
FINANCING ACTIVITIES			
Receipt of short term loans and bank facilities		**114,871**	113,544
Repayment of term loans		**(1,050,943)**	(1,138,916)
Finance costs paid		**(826,775)**	(520,426)
Net cash used in financing activities		**(1,762,847)**	(1,545,798)
Foreign currency translation adjustment		**(5,146)**	(1,079)
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		**(22,231)**	271,995
Bank balances and cash at 1 January		**811,919**	539,924
BANK BALANCES AND CASH AT 31 DECEMBER	4	**789,688**	811,919

The attached notes 1 to 21 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of the Kuwait Business Town Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") were authorised for issue by the Board of Directors on 5 February 2014. The shareholders of the Parent Company have the power to amend these consolidated financial statements at Annual General Assembly.

The Parent Company was incorporated in Kuwait in 1999 as a limited liability company and was registered as a K.S.C. (Closed) Company on 24 November 2004. The Parent Company's shares were listed in the Kuwait Stock Exchange on 16 December 2008. The Parent Company's registered office is at KBT Tower 28th floor, Khalid Ebn Al Waleed Street, Kuwait.

The principal activities of the Parent Company are:

- Dealing in various real estate activities particularly the purchase, sale, leasing and renting of land and buildings.
- Construction of private and public buildings and projects directly or through others and sale of properties in cash or on installments and managing or renting properties in Kuwait and abroad.
- Sale and purchase of securities of companies carrying on similar activities.

The New Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the executive regulations, the companies have one year from the date of publishing the executive regulations to comply with the new amended law.

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of measurement
The consolidated financial statements of the Group are prepared under the historical cost convention as modified for the revaluation at fair value of investments at fair value through statement of income, investments available for sale, investment properties and property under development.

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

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the adoption of the following amended IASB Standards:

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment) (effective for annual periods beginning on or after 1 January 2013)
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 a Group'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. The adoption of this standard does not have any material impact on the consolidated financial statements of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements(effective for annual periods beginning on or after 1 January 2013)
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 12 Disclosure of Interests in Other Entities(effective for annual periods beginning on or after 1 January 2013)
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries, for example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities.

IFRS 13: Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in note 20.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and has been therefore applied in the Group's financial information.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9: Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 32 *Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32(effective for annual periods beginning on or after 1 January 2014)*
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment) (effective for annual periods beginning on or after 1 January 2014)
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in consolidated statement of income;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)
The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

	Effective equity interest			
	2013	*2012*	***Country of incorporation***	***Principal activities***
Housing Cities Real Estate Company W.L.L.*	**100%**	100%	Kuwait	Real estate
KBT Projects for Project Management Company W.L.L.	**100%**	100%	Kuwait	Project Management
United National Holding Company K.S.C. (Holding) (“UNHC”)	**99.87%**	99.87%	Kuwait	Investment

* During the previous year the Group started the liquidation process of Housing Cities Real Estate Company W.L.L. of which legal procedures are still pending finalisation.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities
The Group's financial assets consist of cash and cash equivalents, investments at fair value through statement of income, accounts receivable and investments available for sale. Financial liabilities consist of accounts payable and accruals and loans and other bank facilities.

Recognition and de-recognition of financial assets and liabilities
A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (in whole or in part) is derecognised either when: (i) the rights to receive the cash flows from the asset have expired or (ii) the Group has retained its right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or (iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, bank balances and short-term deposits with original maturities of three months or less.

Investments at fair value through statement of income
Investments at fair value through statement of income includes financial assets held for trading if they are acquired for the purpose of selling in the near term, or financial assets that are designated at fair value through statement of income if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Investments at fair value through statement of income are initially measured at fair value (transaction price).

After initial recognition investments at fair value through statement of income are remeasured at fair value with all changes in fair value recognised in the consolidated statement of income.

Financial assets designated upon initial recognition at fair value through statement of income are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments available for sale
Investments available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through income statement, held to maturity investments or loans and receivables.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in investment income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to the income statement in impairment loss on investments available for sale under investment income.

Fair value
For investments traded in an active market, fair value is determined by reference to quoted market bid prices at the close of business on the reporting date.

For mutual fund investments, fair value is determined based on net asset values reported by the fund managers.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by using valuation techniques, such as recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, an earnings multiple, or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.
Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 20.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Impairment and uncollectibility of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that have loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in the consolidated statement of income.

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previous recognised in the consolidated statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; an
(c) For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for investments classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of investments classified as available for sale are recognised in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties
Investment properties comprise completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment properties when the definition of investment properties is met and it is accounted for as a finance lease.

Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties is stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated statement of income in the year in which they arise. For the purposes of these consolidated financial statements the assessed fair value is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- Increased by the carrying amount of any liability to the holder of leasehold or freehold property included in the consolidated statement of financial position as a finance lease obligation.

Investment properties are derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in the consolidated statement of income in the year of retirement or disposal.

Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period consolidated financial statements.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Property under development
Property under development represent properties being developed for future use as investment properties and are stated at fair value. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost.

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of income.

Depreciation is calculated on a straight line basis over the estimated useful lives of 5 years.
Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered impairment in value. 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Provisions
A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to the statutory and voluntary reserves. Gains realised 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 treasury shares reserve account. No cash dividends are paid on these shares. The issue of stock dividend increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

Interest income
Interest income is recognised as the interest accrues using the effective interest method, over the period of the related deposit.

Dividends
Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Foreign Currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currencies (continued)

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in consolidated statement of income.

Contingencies

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

Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group has used judgment and estimates principally in, but not limited to, the following:

Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income.

Classification of financial assets and liabilities

Judgments are made in the classification of financial instruments as “investments at fair value through statement of income” or “investment available for sale” based on management’s intention at acquisition as described in the respective accounting policies.

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.

Impairment of accounts receivable

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

Valuation of investment properties

Fair value of investment property has been assessed by an independent real estate appraiser. Two main methods were used to determine the fair value of property interests in investment properties; (a) formula based discounted cash flow analysis and (b) comparative analysis as follows:

(a) Formula based discounted cash flow, is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

(b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

Classification of land
Judgments are made in the classification of land as "properties under development" or "investment properties" based on management's intention at acquisition as described in the respective accounting policies.

Impairment of investments available for sale
The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of property and equipment
A decline in the value of property and equipment could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:
- significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments; and
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Useful lives of property and equipment
Management assigns useful lives to property and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives differing from initial estimates.

4 BANK BALANCES AND CASH

	2013	*2012*
	KD	*KD*
Bank balances and cash	**789,688**	532,671
Cash balance in managed portfolios	-	279,248
	789,688	811,919

5 INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2013	*2012*
	KD	*KD*
Held for trading:		
Quoted equity securities	-	16,677
Managed funds	-	134,755
Managed portfolios of quoted equity securities	-	7,621,175
Designated:		
Unquoted equity securities	**351,207**	2,348,864
Managed funds	**10,667**	13,091
	361,874	10,134,562

5 INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF INCOME (continued)

Managed portfolios of equity securities amounting to Nil (2012: KD 7,403,057) are pledged against short term loans and bank facilities (Note 9).

The fair value of unquoted equity securities is determined by the investment manager using valuation techniques that are based on recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, an earnings multiple, or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

6 INVESTMENTS AVAILABLE FOR SALE

	2013	*2012*
	KD	*KD*
Quoted equity securities	**1,040**	1,548
Unquoted equity securities	**716,503**	2,323,379
Managed portfolios of equity securities:		
- Quoted	-	2,679,682
- Unquoted	**22,071,185**	44,887,598
	22,788,728	49,892,207

As at 31 December 2013, investments available for sale ('unquoted equity securities' and 'managed portfolio of unquoted equity securities') amounting to KD 64,500 (2012: KD 1,458,977) were carried at cost less impairment loss, due to the non availability of quoted market prices or other reliable measures of their fair values. There is no active market for these financial assets and the Group intends to hold them for long term. Management has performed an impairment testing of its unquoted equity securities to assess whether impairment has occurred in the value of these investments.

An impairment charge of KD 15,843,341(2012: KD 1,344,216) (Note 13) has been recognised in respect of certain financial assets available for sale for which there has been a significant or prolonged decline in fair value below cost. Except this, the management is not aware of any circumstances that would indicate any impairment in the value of the above financial assets as of the reporting date.

Included in managed portfolios of equity securities is an amount of Nil (2012: KD 42,632,152) which represents investments pledged against short term loans and bank facilities (Note 9).

Included in unquoted equity securities is an amount of KD 1,452,246 (2012: KD 4,428,147) which represents investments pledged against other payables.

7 INVESTMENT PROPERTIES

	2013	*2012*
	KD	*KD*
As at 1 January	**37,590,794**	39,687,150
Additions (i)	-	6,140,000
Disposal (ii)	**(4,000,000)**	-
Change in fair value	**1,048,873**	(8,236,356)
As at 31 December	**34,639,667**	37,590,794

7 INVESTMENT PROPERTIES (continued)

i) During the prior year, the Parent Company acquired a local investment property for a total consideration of KD 6,140,000 from a related party (Note 15) which was settled partially through cash consideration of KD 6,000,000 and partially through transfer of certain investments at fair value through statement of income of KD 140,000 (carrying value of KD 120,000). Ownership in this property is registered in the name of a related party, as nominee for the Parent Company. This nominee have confirmed in writing that the Parent Company is the beneficial owner of this property.

ii) During the year, the Group transferred these properties to a local bank for a settlement of loan for a fair value less cost to sell of KD 5,486,250 with a carrying value of KD 4,000,000 and accordingly recorded a gain on sale of investment properties of KD 1,486,250 in consolidated statement of income (Note 9).

Investment properties amounting to KD 22,797,000 (2012: KD 27,288,000) are pledged with a financial institution against term loan (Note 11).

The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are an industry specialised in valuing these types of investment properties. One of these valuers is a local bank who has valued the investment properties using Yield Method and the other is a local reputable accredited valuer who has valued the investment properties using the combination of the market comparison approach for the land and cost approach for the construction work executed to date. For the valuation purpose, the Parent Company has selected the lower of these two valuations, as required by the Capital Market Authority (CMA).

Fair value hierarchy
The fair value measurement of investment properties has been categorised as level 3 fair value based on inputs to the valuation technique used.

The significant assumptions used in the valuations are set out below:

2013	*Kuwait*	*GCC*
Estimated market price for the land (per sqm) (KD)	**2,618**	**662**
Construction costs (per sqm) (KD)	**2,713**	**596**
Average monthly rent (per sqm) (KD)	**25**	**10**
Yield rate	**6.92%**	**9.62%**
Vacancy rate	**4%**	**4%**
2012		
Estimated market price for the land (per sqm) (KD)	2,552	289
Construction costs (per sqm) (KD)	2,447	917
Average monthly rent (per sqm) (KD)	20	8
Yield rate	6.26%	7.70%
Vacancy rate	4%	3%

7 INVESTMENT PROPERTIES (continued)

Sensitivity analysis
The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment properties.

	Changes in valuation assumptions	*Kuwait*	*GCC*
2013		*KD*	*KD*
Estimated market price for the land	**+/- 5%**	**723,850**	**135,899**
Average rent	**+/- 5%**	**(3,913,170)**	**258,661**
Yield rate	**+/- 5%**	**6,289,946**	**245,270**
Vacancy rate	**+/- 5%**	**6,347,916**	**257,560**
2012			
Estimated market price for the land	+/- 5%	833,250	59,290
Average rent	+/- 5%	(6,177,698)	(94,353)
Yield rate	+/- 5%	8,638,191	374,418
Vacancy rate	+/- 5%	8,698,203	385,851

8 PROPERTY UNDER DEVELOPMENT

	2013	*2012*
	KD	*KD*
As at 1 January	**13,000,000**	15,500,000
Change in fair value	-	(2,500,000)
Disposal	**(13,000,000)**	-
As at 31 December	-	13,000,000

Property under development with carrying value of KD Nil (2012: KD 13,000,000) are pledged with a local bank against short term loans and bank facilities (Note 9).

During the year, the Group transferred its property under development to a local bank for a settlement of loan for a fair value less cost to sell of KD 17,910,000 and recorded a gain on sale of property under development of KD 4,910,000 in consolidated statement of income (Note 9).

9 SHORT TERM LOANS AND BANK FACILITIES

	2013	*2012*
	KD	*KD*
Loan	-	46,240,307
Bank overdraft	-	2,138,019
Credit cash balances in portfolios	**321,761**	206,890
	321,761	48,585,216

Short term loans and bank facilities relate to the subsidiary, UNHC, and are secured by investments at fair value through statement of income of KD Nil (2012: KD 7,403,057) (Note 5), investments available for sale of KD Nil (2012: KD 42,632,152) (Note 6) and property under development of KD Nil (2012: KD 13,000,000) (Note 8). As at 31 December 2012. banks facilities had become past due and the bank referred the matter to the Ministry of Justice to recover its dues.

9 SHORT TERM LOANS AND BANK FACILITIES (continued)

During the current year, UNHC has settled its loan and bank overdraft amounting to KD 48,378,326 along with interest payable amounting to KD 5,605,510 with a local bank by transfer of certain assets which include investment property amounting to KD 5,500,000 (Note 7), project under construction amounting to KD 18,000,000 (Note 8), other assets amounting to KD 1,360,219 and certain quoted equity shares amounting to KD 14,700,000.

On settlement of these bank facilities, the Group received a discount of KD 14,423,617 which is recorded in the statement of income.

10 ACCOUNTS PAYABLE AND ACCRUALS

	2013 KD	*2012 KD*
Trade payables and retention to contractors	**2,743,649**	1,004,149
Accrued expenses and provisions	**219,984**	223,551
Interest and dividend payable	**835,099**	5,317,201
Advance rent	**17,834**	101,931
Other payables	**356,174**	1,126,222
	4,172,740	7,773,054

11 TERM LOANS

	Currency	***2013 KD***	*2012 KD*
Term loan granted by a local bank with interest rate of 6.48% (2011: 6.48%) per annum, repayable in 72 equal monthly installments after a grace period of 2 years started from 1 February 2010.	KD	**3,402,756**	4,236,084
Term loan granted by a financial institution, a related party (Note 15)	KD	-	2,000,000
		3,402,756	6,236,084

During the current year, the Group has settled its term loan amounting to KD 2,000,000 from related party through transfer of certain investments at fair value through statement of income amounting to KD 1,760,114, other assets by KD 33,545 and cash paid by KD 206,341.

Investment properties amounting to KD 22,797,000 (2012: KD 27,288,000) are pledged with a financial institution against this term loan (Note 7).

12 EQUITY

a) Share capital

Authorised, issued and paid-up capital consists of 785,688,000 shares (2012: 785,688,000 shares) of 100 fils (2012: 100 fils) each. This consists of 520,000,000 (2012: 520,000,000) shares which are fully paid in cash, 26,000,000 (2012: 26,000,000) shares which are issued as bonus shares and 239,688,000 (2012: 239,688,000) shares were issued for acquisition of 99.87% equity interest in UNHC.

12 EQUITY (continued)

b) Treasury shares

	2013	*2012*
Number of treasury shares	-	1,030,000
Percentage of ownership	-	0.13%
Market value (KD)	-	25,235
Cost (KD)	-	162,406

c) Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Director's remuneration is required to be transferred annually to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers, when the reserve equals 50% of share capital. No transfer has been made since the Group has accumulated losses at the end of the year.

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 accumulated profits are not sufficient for the payment of a dividend of that amount.

d) Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Director's remuneration is required to be transferred to voluntary reserve. No transfer has been made since the Group has accumulated losses at the end of the year. Such annual transfers may be discontinued by a resolution of the Parent Company's shareholders' general assembly upon a recommendation by the Board of Directors. Voluntary reserve is available for distribution.

13 NET INVESTMENT (LOSS) INCOME

	2013 *KD*	*2012* *KD*
Unrealised (loss) gain from investments at fair value through statement of income	**(71,217)**	128,493
Realised (loss) gain on sale of investments at fair value through statement of income	**(621,615)**	935,728
Realised (loss) gain on sale of investments available for sale	**(164,944)**	744,201
Impairment loss on investments available for sale (Note 6)	**(15,843,341)**	(1,344,216)
Dividend income	**34,163**	864,229
	(16,666,954)	1,328,435

14 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share is calculated by dividing the profit (loss) for the year attributable to the equity holders of the Parent Company by the weighted average number of outstanding shares during the year.

	2013	*2012*
	KD	*KD*
Profit (loss) for the year attributable to the equity holders of the Parent Company	**4,301,745**	(12,438,642)
	Shares	*Shares*
Weighted average number of outstanding issued shares	**785,688,000**	785,688,000
Less: Weighted average number of outstanding treasury shares	**(953,808)**	(1,030,000)
Weighted average number of outstanding shares	**784,734,192**	784,658,000
Basic and diluted earnings (loss) per share attributable to the equity holders of the Parent Company	**5.48 fils**	(15.85) fils

15 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Balances and transactions with related parties are as follows:

	Other related parties	***Total 2013 KD***	*Total 2012 KD*
Consolidated statement of financial position:			
Investments at fair value through statement of income	-	-	4,851,660
Investments available for sale	60,000	**60,000**	120,611
Term loan (Note 11)	-	-	2,000,000
Due to related parties	149,652	**149,652**	-
Consolidated statement of income:			
Rental income	43,167	**43,167**	63,236
Realised gain on sale of investments at fair value through statement of income	-	-	18,998
Dividend income	-	-	551,325
Gain on sale of investments available for sale	109,847	**109,847**	22,393
Finance costs	300,162	**300,162**	225,000
Transactions:			
Sale of investment at fair value through statement of income	1,878,864	**1,878,864**	-
Sale of investment available for sale	-	-	432,000
Purchase of investment properties	-	-	6,140,000

15 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel
The remuneration of directors and other members of key management during the year are as follows:

	2013	*2012*
	KD	*KD*
Salaries and short-term benefits	**49,822**	65,366
Employees' end of service benefits	**930**	3,320
	50,752	68,686

16 CAPITAL COMMITMENTS

	2013	*2012*
	KD	*KD*
Future capital expenditure relating to properties under development	**-**	11,500,000

17 SEGMENT INFORMATION

For management reporting purposes, the Group is organised into two major operating segments based on internal reporting provided to the chief operating decision maker. The Group does not have material inter-segment transactions. The principal activities and services under these segments are as follows:

Investing activities : comprise participation in financial and real estate funds and managing the Group's liquidity requirements.

Real estate activities : comprise investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.

	2013			*2012*		
	Investing activities KD	***Real estate activities KD***	***Total KD***	*Investing activities KD*	*Real estate activities KD*	*Total KD*
Segment results	**1,083,164**	**3,219,989**	**4,303,153**	(3,609,370)	(8,833,949)	(12,443,319)
Segment assets	**22,035,203**	**37,479,201**	**59,514,404**	58,109,858	55,856,091	113,965,949
Segmental liabilities	**1,992,016**	**5,905,242**	**7,897,258**	53,863,998	8,730,356	62,594,354
Addition to non-current assets	-	-	-	-	6,140,000	6,140,000

Additions to non-current assets consist of additions of investment properties and properties under development.

18 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, currency risk and equity price risk. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

18.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation as it falls due and cause the other party to incur a financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with individual counterparties, and continually assessing the creditworthiness of counterparties.

The Group is exposed to credit risk on its bank balances and accounts receivable. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Gross maximum exposure to credit risk

The table below shows the gross maximum exposure to credit risk across financial assets before taking into consideration the effect of credit risk mitigation.

	2013	*2012*
	KD	*KD*
Bank balances and cash balance in managed portfolio	**789,688**	811,688
Accounts receivables and prepayments	**864,280**	2,486,775
Total credit risk exposure	**1,653,968**	3,298,463

Risk concentrations of the maximum exposure to credit risk:

The Group's financial assets, before taking into account any collateral held or other credit enhancements, can be analysed by the following:

Geographic region and industrial sector:

2013

	Banking	*Investments*	*Other*	*Total*
Kuwait	**789,688**	**415,348**	**448,932**	**1,653,968**

2012

	Banking	*Investments*	*Other*	*Total*
Kuwait	532,670	1,955,461	810,332	3,298,463

18 RISK MANAGEMENT (continued)

18.2 Liquidity risk

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

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

31 December 2013	***Within 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
Short term loans and bank facilities	**321,761**	**-**	**-**	**321,761**
Accounts payable and accruals	**373,672**	**3,029,673**	**769,395**	**4,172,740**
Term loans	**282,631**	**825,029**	**2,979,641**	**4,087,301**
TOTAL LIABILITIES	**978,064**	**3,854,702**	**3,749,036**	**8,581,802**

31 December 2012	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Short term loans and bank facilities	49,310,891	-	-	49,310,891
Accounts payable and accruals	4,528,105	2,525,844	719,105	7,773,054
Term loans	915,491	1,600,739	5,224,801	7,741,031
TOTAL LIABILITIES	54,754,487	4,126,583	5,943,906	64,824,976

18.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

18.3.1 *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. Interest rate risk is managed by the finance department of the Company. The Group is exposed to interest rate risk on its interest bearing assets and liabilities which includes short term loans and bank facilities and term loans.

18 RISK MANAGEMENT (continued)

18.3.1 *Interest rate risk (continued)*

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	Increase in basis points	*Effect on loss for the year KD*
31 December 2013	**±50**	**17,014**
31 December 2012	±50	±274,107

18.3.2 *Foreign currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk is managed by the treasury department on the basis of limits determined by the Company's Board of Directors and by continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

18.3.3 *Equity price risk*

Equity price risk arises from changes in the fair values of equity investments. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's investments are in unquoted equity securities.

The effect on Group's loss and equity as a result of a change in the fair value of the investments at fair value through statement of income and investments available for sale at 31 December 2013 due to 5% change in Kuwait Stock Exchange, with all variables held constant is as follows:

	Changes in indices	***2013 KD***	*2012 KD*
Effect on loss	±5%	**-**	±381,893
Effect on other comprehensive income	±5%	**52**	±134,062

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, which is when the consolidated statement of income will be impacted.

19 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of, accounts receivable and prepayments, accounts payable and accruals, short term loans and bank facilities at the year end is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on the management estimate of liquidation of those assets.

31 December 2013	***Within 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
Assets				
Bank balances and cash	789,688	-	-	**789,688**
Investments at fair value through statement of income	-	361,874	-	**361,874**
Accounts receivable and prepayment	672,467	191,813	-	**864,280**
Investments available for sale	-	-	22,788,728	**22,788,728**
Investment properties	-	-	34,639,667	**34,639,667**
Property under development	-	-	-	**-**
Property and equipment	-	-	70,167	**70,167**
	1,462,155	**553,687**	**57,498,562**	**59,514,404**
Liabilities				
Short term loans and bank facilities	**321,761**	**-**	**-**	**321,761**
Accounts payable and accruals	**373,672**	**3,029,672**	**769,396**	**4,172,740**
Term loans	**208,332**	**624,996**	**2,569,428**	**3,402,756**
	903,765	**3,654,668**	**3,338,824**	**7,897,257**
NET GAP	**558,390**	**(3,100,981)**	**54,159,738**	**51,617,147**

31 December 2012	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Assets				
Bank balances and cash	278,047	533,872	-	811,919
Investments at fair value through statement of income	756,073	9,378,489	-	10,134,562
Accounts receivable and prepayment	637,569	1,849,206	-	2,486,775
Investments available for sale	33,982	6,768,353	43,089,872	49,892,207
Investment properties	-	4,000,000	33,590,794	37,590,794
Property under development	-	13,000,000	-	13,000,000
Property and equipment	-	-	49,692	49,692
	1,705,671	35,529,920	76,730,358	113,965,949
Liabilities				
Short term loans and bank facilities	48,585,216	-	-	48,585,216
Accounts payable and accruals	4,528,105	2,525,844	719,105	7,773,054
Term loans	915,491	1,600,739	3,719,854	6,236,084
	54,028,812	4,126,583	4,438,959	62,594,354
NET GAP	(52,323,141)	31,403,337	72,291,399	51,371,595

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities as defined in note 3

The fair values of financial instruments with the exceptions of certain investments available for sale carried at cost (Note 6) are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments.

Fair value hierarchy
As at 31 December 2013, the Group held the following financial instruments measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs that have a significant effect on the recorded fair value are not based on observable market data.

2013	*Level: 1 KD*	*Level: 2 KD*	*Level 3 KD*	*Total KD*
Investments at fair value through statement of income				
Equity securities	-	**351,207**	-	**351,207**
Managed funds	-	**10,667**	-	**10,667**
	-	**361,874**	-	**361,874**
Investments available for sale				
Equity securities	**1,040**	**652,004**	**21,972,291**	**22,625,335**
Managed Funds	-	**98,893**	-	**98,893**
	1,040	**750,897**	**21,972,291**	**22,724,228**

2012	*Level: 1 KD*	*Level: 2 KD*	*Level 3 KD*	*Total KD*
Investments at fair value through statement of income				
Equity securities	7,637,852	2,348,864	-	9,986,716
Managed funds	-	147,846	-	147,846
	7,637,852	2,496,710	-	10,134,562
Investments available for sale				
Equity securities	2,681,231	4,128,400	41,530,045	48,339,676
Managed Funds	-	93,554	-	93,554
	2,681,231	4,221,954	41,530,045	48,433,230

During the year, there were no transfers between the hierarchies.

20 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets:

	At 1 January 2013 KD	***Additions KD***	***Impairment loss KD***	***Change in fair value KD***	***Recycled from fair value reserve KD***	***At 31 December 2013 KD***
Investments available for sale	**41,530,045**	-	**(15,727,909)**	-	**(3,829,845)**	**21,972,291**

	At 1 January 2012 KD	*Additions KD*	*Impairment loss KD*	*Change in fair value KD*	*Recycled from fair value reserve KD*	*At 31 December 2012 KD*
Investments available for sale	40,764,000	1,425,200	-	(659,155)	-	41,530,045

21 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business maximise shareholder value and remain within the quantitative loan covenants.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio as net debt divided by net equity. The Group includes within net debt, term loans and other facilities and other payables, less cash and bank balances.

	2013 KD	*2012 KD*
Term loan and other facilities	**3,724,517**	54,821,300
Accounts payable and other accruals	**4,172,740**	7,773,054
Less: Bank balances and cash	**(789,688)**	(811,919)
Net debt	**7,107,569**	61,782,435
Total equity	**51,617,147**	51,371,595
Gearing ratio	**13.8%**	120.3%