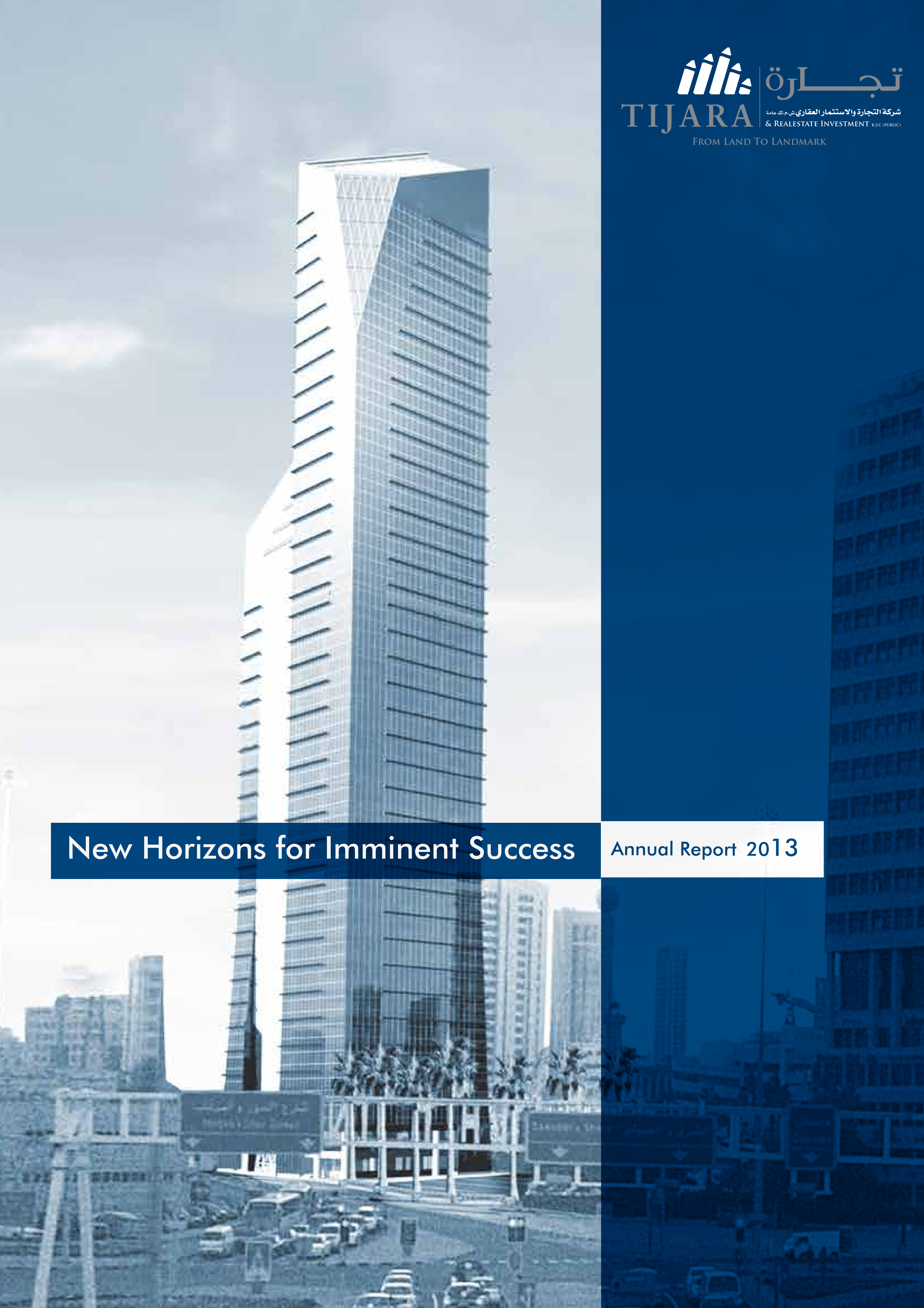
تجارة

TIJARA

شركة التجارة والاستثمار العقاري ش.م.ك عامة

& Realestate Investment K.S.C (Public)

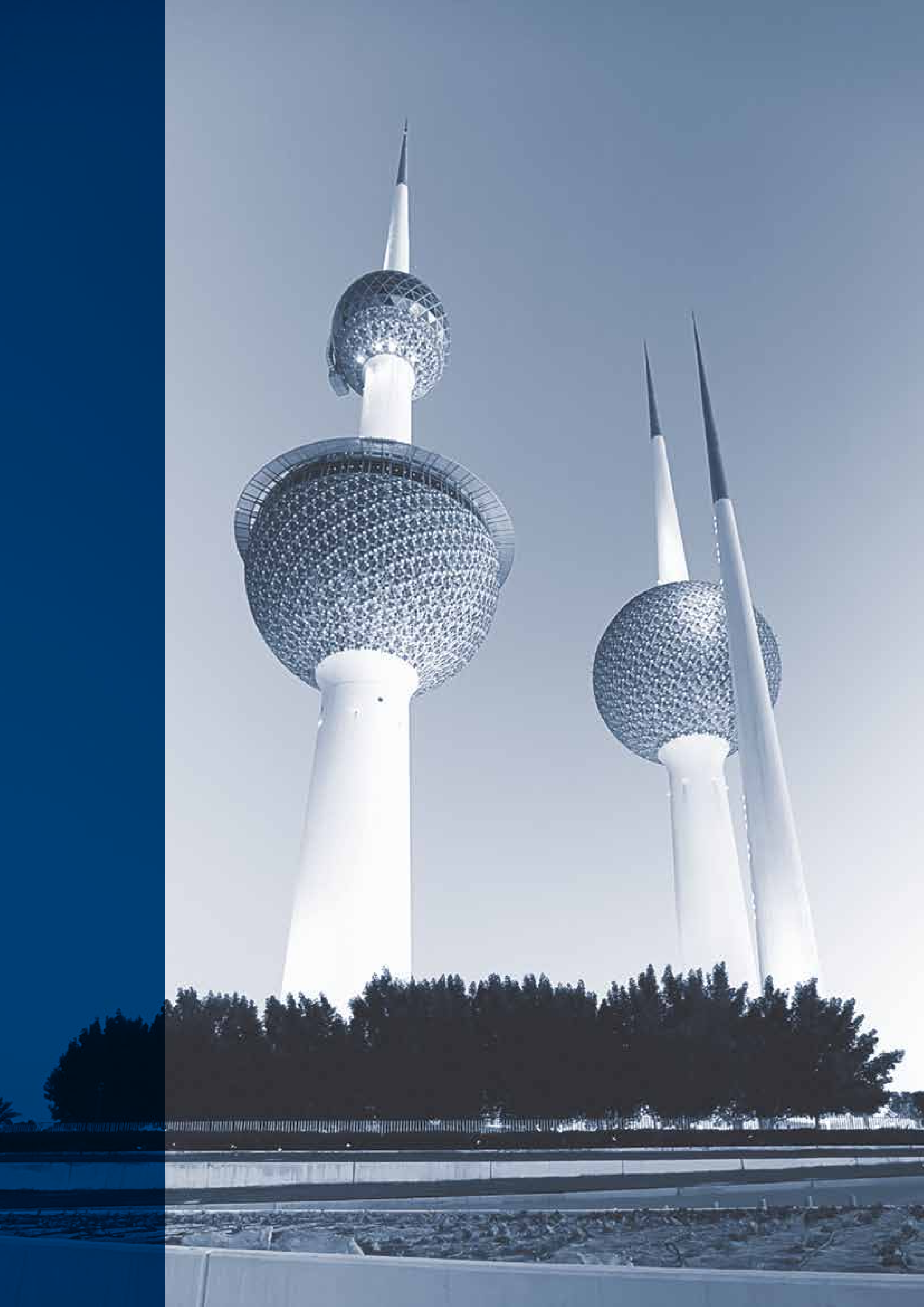
From Land To Landmark



New Horizons for Imminent Success

Annual Report 2013

بسم الله الرحمن الرحيم



His Highness Sheikh

Sabah Al-Ahmed Al-Jaber Al-Sabah

Amir of Kuwait

His Highness Sheikh

Nawaf Al-Ahmed Al-Jaber Al-Sabah

Crown Prince

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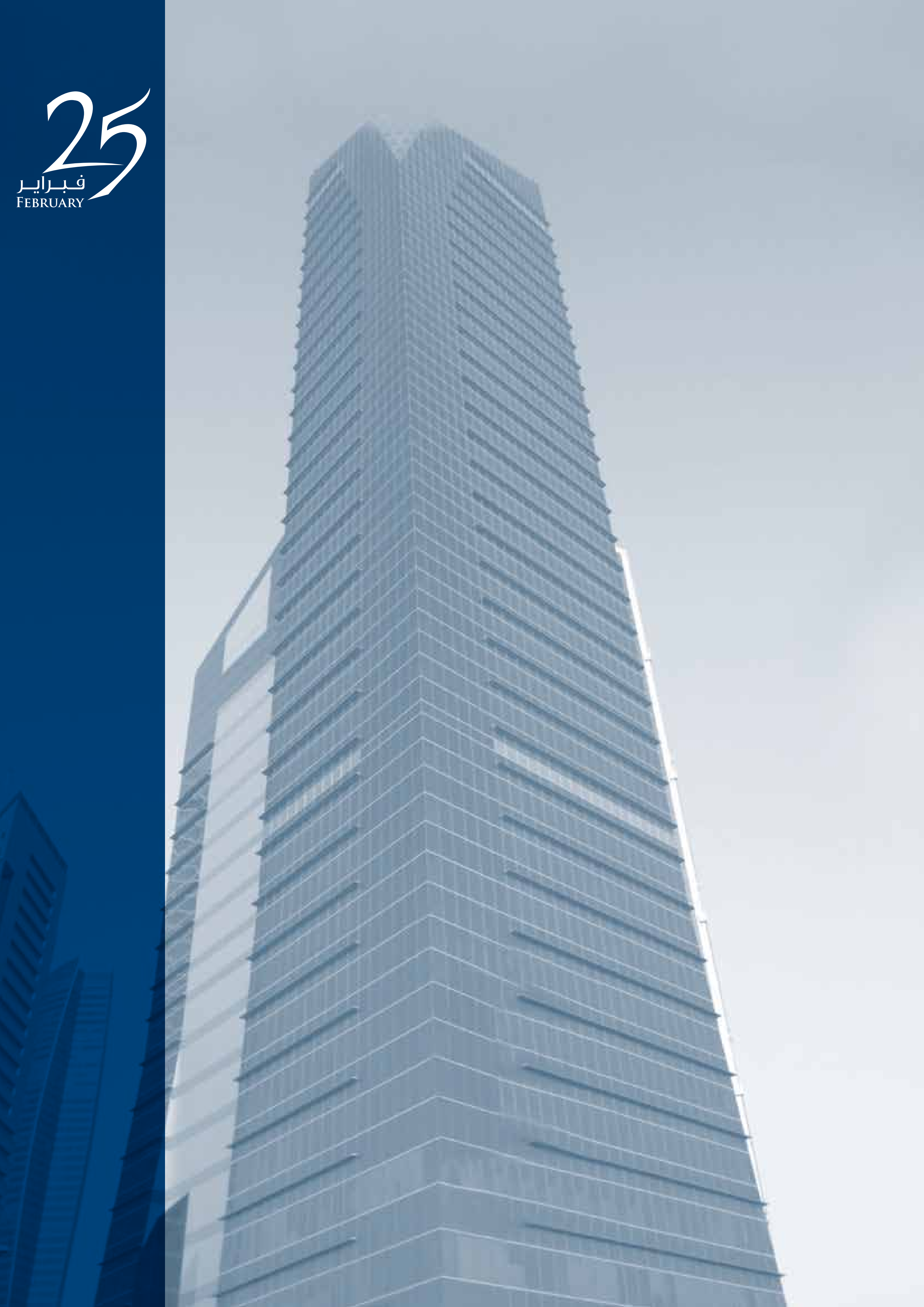
فبراير
FEBRUARY



THE VISION

Located in the growing and most sought-after business area of Sharq City, the February 25th Tower has been named to represent both the National days of Kuwait.

The building consist of a unique tower built to create new, innovative solutions for the business market today, as well as being a landmark on the Kuwait skyline.

FEATURES

The 25th February Tower consists of 34 floors in height. Total floor area, including service area, is between 280 - 320 sqm.

And all in all, there are 6 elevators to serve the tower.

HIGH TECH. INSTALLATIONS

The office spaces within the tower are designed for commercial use and cater to the requirements of organizations requiring the latest in technological know-how.

The tower has such amenities as Internet, fax, IP telephony systems and smart lighting for all access doors built into the structure.

The construction style, finishing and materials used are ultra modern and feature the most advanced technology available today.

SAFETY

Safety inside and outside the tower is of uppermost importance. Not only are surveillance cameras installed throughout the tower, the tower also has the latest in fire fighting & early alert systems as well as a 24 hour guard service.

ESCAPADE
Les Résidences

bien vivre, bien être

Escapade

In the heart of Europe, on a privileged location in Divonne-Les-Bains, a new luxury residential development is on the rise: Escapade. Named after the town's main spa.

Escapade delivers just what its name implies: escape to a town where well being is a way of life. Water-sports and skiing slopes are only a short distance away.

Escapade is an exclusive new compound comprising 3 luxurious villas offering stunning and extensive views over the development and splendid mountain chains, 6 townhouses offer excellent views on surrounding landscapes as well as 8 high-standard apartments and 4 penthouses, housed within a block of 3-story buildings. As a European vacation home away from home, Escapade is the perfect choice. Residents can enjoy privacy, tranquility, greenery, refinement, and a relaxed global lifestyle - all the luxuries of European countryside living while still being part of a familiar, family-based community.
Escapade is the first project of its kind in a French spa town.

Entertaining facilities & amenities within Escapade are dramatic; pedestrian walkways, rest areas with benches, large & heated swimming pool, safe children's playground not to mention that large proportion of parking spaces are housed within the buildings for complete privacy.

Escapade; living well... Being well

Board of Director's Report For The Financial Year Ended 31 /12 /2013

Dear shareholders, Peace be upon you

The year 2013, came to an end. It, again, witnessed retrogression in global economy, though global economy made little improvement during the year 2011 and the first half of 2012. The crisis of the sovereign debts in many countries of the world flared up. The majority of these countries imposed sever austerity measures. This resulted in many disturbances. More than one state was on the verge of bankruptcy and development rates in most of these countries decreased.

Locally, Kuwait Stock of Exchange managed to realize relatively good gains during the year 2013 on its three indexes level, and particularly the price index which benefitted from the speculation processes. Such speculation processes constituted the characteristic of dealings in this year where most dealings focused on small stocks.

The price index closed at the level of 7,549 point, registering an increase at the ratio of 27,22% more than last year. The ratio of weight index growth reached 8,43% at the end of the dealings on the last day of the year 2013, closing at the level of 452,8 point.

Banks sector:

The banks sector maybe considered the best economic sector during the year 2013, where it had largely got better. Even though the reserve allocations continued to press on this sector, it witnessed large growth in credit and deposits. In general, the banking credit witnessed good growth in the year 2013. The total loans size increased at the ratio of more than 7% in the banking sector during the first nine months of the year. Thus it reached the amount of 28 billion dinar during the said period, while in 2012 the credit growth recorded the ratio of 5,5% during the whole year.

Local real estate market:

Although the world witnessed economic crises as well as other crises during this year, the results were positively reflected on the Kuwaiti real estate market. It was clear that this market had special merits unlike the other sectors whether regarding revenues or earnings or risks because it is currently considered as safe shelter for any investor.

In spite of all reports and economic facts which call for the necessity to take corrective procedures to protect Kuwaiti economy and increase local investment as well as creating investment opportunities, this did not affect the local real estate market with all its sectors. Activities in such sectors continued increasing announcing a state of challenge and stability against the successive economic storms.

The results of the year 2013 were positive regarding the real estate level. The cash flow in the market increased to about 3935,8 million Kuwaiti dinar, that is to say at the ratio of 18% in comparison to the cash flow in the year 2012 which reached the amount of 3334,6 million Kuwaiti dinar.

The cash flow in the year 2013 achieved the second place during the last thirteen years, starting from the year 2000 and terminating in the year 2013.

There was increase in cash flow in the private housing activity in the year 2013. The portion of private housing in the market cash flow, agencies and contracts, increased to about 1944 million Kuwaiti dinar. But its relative contribution decreased to about 49,4% of the market cash flow. Its portion of the market cash flow in the year 2012 was about 55,6%. The rise of private housing activity cash flow reached the ratio of 4,9% in comparison to the year 2012. The investment housing activity dealings increased to about 1522 million Kuwaiti dinar. Its contribution to the market cash flow was increased to about 38,7% in the year 2013, whereas its portion was about 35,7% in the market cash flow in the year 2012. The ratio of increase in the investment housing activity cash flow reached about 28% in comparison to the year 2012.

The private and investment housing activity achieved the ratio of 88,1% of the real estate market cash flow in the year 2013 and left the ratio of 11,1% of the cash flow to the commercial sector, in comparison to the ratio of 8% in the year 2012 and the ratio of 0,8% to warehousing which is the same ratio in the year 2012. The rate of the value of one deal in private housing became higher at the end of the year 2013 and reached the amount of 290,7 thousand Kuwaiti dinar whereas it was at the level of 224,7 thousand Kuwaiti dinar in the year 2012. The average of one deal in the investment housing increased largely to the amount of 838,6 thousand Kuwaiti dinar, whereas it was at the level of 727,2 thousand Kuwaiti dinar. The average of one deal in the commercial housing decreased to about 2,8 million Kuwaiti dinar compared to the amount of 3,4 million Kuwaiti dinar in the year 2012. The general average of one deal in the whole real estate dealings increased at the ratio of 35,8% in the year 2013.

Expectations for the year 2014

It is expected that the real estate market will continue active during the year 2014 because of the increasing demand rate against large deficiency in supply. This is in addition to the high ratio of cash flow in the local market. This will also have effect on all types of residential, investment and commercial real estates.

The prices of real estate have become higher to a great extent. The prices of lands and buildings also witnessed standard increase during the year 2013. This price of one square meter of residential lands approached the price of the investment lands in some vital areas. The prevalent prices at this time is considered the highest prices since the year 2008.

The commercial real estate also witnessed remarkable activity during the year 2013. Such remarkable activity has no precedent since the economic crisis that hit the world five years ago. It is expected that the rents prices will continue going higher and higher.

Dear brothers

Last year witnessed many crises, as aforesaid. There were many challenges and difficulties but there were also determination and defiance as well as hope for success. We, together, endured all these difficulties and challenges so as to achieve the targets we made at the beginning of this year and the elapsed years. We managed, with God help, to realize a great part of such targets. We hope to continue achieving such targets despite of challenges. We will continue working diligently to achieve the target that we aim at all through the past five years. Such target is redirecting this company towards seeking opportunities and investments that realize high revenues to the company and its shareholders and fulfill the expectations of the staff and the ambitions of the shareholders. This is done through circulating some assets and liquidating other assets, in addition to increasing the company cash flow through searching for new sources of finance. This is a part from targeting new Gulf and regional parts to increase the investments in these countries where there are good investment opportunities so as to realize higher financial revenues more than the financial revenues locally realized.

In the process of realizing such high financial revenues, "Tijara" took successful steps in this direction during the year 2013 on the local and regional domain. On the local domain, "Cliffs Complex" located in Salmia on the Arabian Gulf Street was sold. The 26 February Tower consisted of 17 floors in Sharq area was also sold, in addition to selling a residential project in Aljabrya area. All the previous sales rendered very good profits.

On the regional domain, the company disengaged from the real estate portfolio of a piece of land at the area of approximately one million square meters in the city of Riyadh in the Kingdom of Saudi Arabia.

Regarding the company remaining real estate found in many areas inside Kuwait, they are doing very well and have high occupancy ratios. Such real estates are fruitful and promising.

Concerning the real estate investments of the company abroad, such investments are stable and are doing well as per their planned future evaluations. We hope to develop some of these investments in the future or sell them and increase the productivity of other investments.

Regarding the financial investments of the company, the company is still going on with its plan and method previously explained to reduce the size of these investments as much as possible. This becomes clear enough when we look at the size of these investments at the present time in comparison to such size in the past. The company efforts aim at focusing on practicing its real estate activities in a manner that realizes fixed and safe assets for the company as well as stable and useful revenues at the same time.

The net profit for the year 2013 reached the amount of 1,617,813 Kuwaiti dinar in comparison with the year 2012 in which the loss of that year reached the amount of (1,374,994) Kuwaiti dinar. The capital earning realized profits at the amount of 4,22 fils per each share in the year 2013 in comparison with loss at the amount of (3,59) fils per share in the year 2012. The book value reached 89,53 fils per share in the year 2013 in comparison with 85,26 fils per share in the year 2012.

The total revenues and expenses for the year 2013 reached the amount of 6,899,951 Kuwaiti dinar and the amount of (5,282,138) Kuwaiti dinar respectively.

In conclusion, we would like to thank the administrative and executive body at the company and all officials and employees working in the company for their sincere efforts. We also thank the respectable members of the Legitimate Control Body and the accounts auditors.

We also feel much obliged to all the shareholders who gave us their trust and support during the last period. We pray God to grant us success to achieve the interest of the company.

Peace be upon you
Sheikh Ali Abdullah Al-Khalifa Al-Sabah
Chairman

REPORT OF THE SHARIA SUPERVISORY COMMITTEE

Report of the Shariah Committee

Thanks to God and peace and blessings of Allah be upon his profit and his companions
To the shareholders of : Tijara and Real Estate Investment Company
Peace be upon you;

As per the contract signed between us, we, the Legitimate Control Body at the Company, submit the following report:

The Legitimate Control Body at the Company monitored and audited the contracts related to the transactions and activities submitted by the Company during the period from 1/1/2013 to 31/12/2013. We carried out the mandatory control and revision to give the opinion regarding the company commitment to the rules and principles of the Islamic Sharia as well as the fixed fatwa, decisions, principles and guidelines issued by us. Our responsibility is confined to giving independent opinion regarding the company commitment to such principles, decisions and fatwa pursuant to our auditing

We performed control in the suitable manner. Revision included checking the contracts and the procedures followed at the Company on the basis of testing every type of operation. We obtained all information and interpretations necessary for issuing the opinion regarding the conformity of the company works to the rules of Islamic Sharia

We are of the opinion that the contracts, documents and operations concluded by the Company during the period from 1/1/2013 to 31/12/2013, reviewed by us, were made as per the rules and principles of the Islamic Sharia.

We would like to inform you that the Company does not pay Zakah on behalf of the shareholders.

We ask God Almighty to grant success to the Company staff personnel to serve our right religion and our dear country and guide all of us to the right path

Legitimate Control Body

Dr Abdulaziz Al-Qassar **Head of Legitimate Control Body**	**Dr. Esa Zaki Esa** **Member of Legitimate Control Body**	**Dr. Ali Ibraheem Alrashid** **Member of Legitimate Control Body**

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C. (Public)

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C. (CLOSED)

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Tijara & Real Estate Investment Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and 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

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 from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures

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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 polices 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 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C. (CLOSED) (continued)

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, and by the Parent Company's 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, nor of the Articles of Association have occurred during the year ended 31 December 2012 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
OF ERNST & YOUNG

Ali A. Al-Hasawi
License No.30-A
RÖdl Middle East
BURGAN – INTERNATIONAL ACCOUNTANTS

Kuwait 11 March 2013

CONSOLIDATED STATEMENT OF INCOME
For the Year ended 31 December 2013

	Notes	2013 KD	2012 KD
Rental income		**1,822,233**	1,965,082
Other services and operating income		**34,561**	-
Property operating expenses		**(369,647)**	(378,566)
Realised gain on sale of investment properties	8	**3,198,000**	-
Unrealised gain from re-measurement of investment properties to fair value	8	**1,643,003**	340,100
Net profit on investment properties		**6,328,150**	1,926,616
Realised gain on sale of inventory properties	6	**1,246,305**	-
Impairment loss on inventory properties	6	**(168,428)**	-
Net gain on inventory properties		**1,077,877**	-
Unrealised loss from financial assets carried at fair value through profit or loss		**(78,960)**	(60,596)
Realised gain (loss) on sale of financial assets carried at fair value through profit or loss		**2,491**	(218,607)
Realised gain on sale of financial assets available for sale		**-**	237,594
Impairment loss on financial assets available for sale	7	**(532,023)**	(703,101)
Loss on sale of an associate		**-**	(23,828)
Income from real estate investment portfolio		**6,830**	9,251
Net investment loss		**(601,662)**	(759,287)
Administrative expenses		**(832,723)**	(819,436)
Allowance for impairment of receivables		**(197,152)**	-
Provision for legal case	12	**(2,700,461)**	-
Operating profit		**3,074,029**	347,893
Finance costs		**(1,492,636)**	(1,764,627)
Foreign exchange gain (loss)		**91,794**	(10,486)
Other income		**3,792**	52,226
PROFIT (LOSS) BEFORE NATIONAL SUPPORT TAX ("NLST") AND ZAKAT		**1,676,979**	(1,374,994)
National Labour Support Tax (NLST)		**(41,924)**	-
Zakat		**(17,242)**	-
PROFIT (LOSS) FOR THE YEAR		**1,617,813**	(1,374,994)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	5	**4.22 fils**	(3.59) fils

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	**2013 KD**	2012 KD
Profit (loss) for the year		**1,617,813**	(1,374,994)
Items that will be reclassified subsequently to the consolidated statement of income:			
Financial assets available for sale:			
- Net unrealised loss		**(483,643)**	(690,271)
- Recycled to consolidated statement of income on sale		-	(25,580)
- Impairment loss transferred to consolidated statement of income	7	**532,023**	703,101
		48,380	(12,750)
Exchange difference on translation of foreign operations		**(25,898)**	85,722
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**22,482**	72,972
TOTAL COMPERHENSIVE INCOME (LOSS) FOR THE YEAR		**1,640,295**	(1,302,022)

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

CONSOLIDATED Statement OF FINANCIAL POSITION
At 31 December 2013

	Notes	2013 KD	2012 KD
ASSETS			
Bank balances and cash		**2,214,372**	1,852,453
Accounts receivable and prepayments		**3,222,400**	286,628
Financial assets carried at fair value through profit or loss	6	**-**	155,095
Inventory properties	7	**4,480,973**	6,460,571
Financial assets available for sale	8	**250,391**	734,034
Investment properties		**37,421,129**	60,459,231
Property and equipment		**3,909**	6,996
TOTAL ASSETS		**47,593,174**	69,955,008
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**38,446,256**	38,446,256
Share premium		**47,418**	47,418
Statutory reserve	10	**3,640,756**	3,640,756
General reserve	10	**2,793,231**	2,793,231
Share options reserve		**142,253**	142,253
Cumulative changes in fair values		**86,714**	38,334
Foreign currency translation reserve		**(142,521)**	(116,623)
Treasury shares	11	**(52,984)**	(52,984)
Accumulated losses		**(10,539,674)**	(12,157,487)
Total equity		**34,421,449**	32,781,154
Liabilities			
Accounts payable and accruals	12	**4,613,427**	2,975,440
Islamic financing payables	13	**8,168,507**	33,855,797
Employees' end of service benefits		**389,791**	342,617
Total liabilities		**13,171,725**	37,173,854
TOTAL EQUITY AND LIABILITIES		**47,593,174**	69,955,008

Sheikh Ali A. A. Al-Sabah
Chairman

Tareq Fareed Al Othman
Vice Chairman and Executive President

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Share options reserve KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Treasury shares KD	Accumulated losses KD	Total KD
Balance as at 1 January 2013	38,446,256	47,418	3,640,756	2,793,231	142,253	38,334	(116,623)	(52,984)	(12,157,487)	32,781,154
Profit for the year	-	-	-	-	-	-		-	1,617,813	1,617,813
Other comprehensive (loss) income	-	-	-	-	-	48,380	(25,898)	-	-	22,482
Total comprehensive (loss) income for the year	-	-	-	-	-	48,380	(25,898)	-	1,617,813	1,640,295
Balance at 31 December 2013	**38,446,256**	**47,418**	**3,640,756**	**2,793,231**	**142,253**	**86,714**	**(142,521)**	**(52,984)**	**(10,539,674)**	**34,421,449**
Balance as at 1 January 2012	38,446,256	47,418	3,640,756	2,793,231	142,253	51,084	(202,345)	(52,984)	(10,782,493)	34,083,176
Loss for the year	-	-	-	-	-	-	-	-	(1,374,994)	(1,374,994)
Other comprehensive (loss) income	-	-	-	-	-	(12,750)	85,722	-	-	72,972
Total comprehensive (loss) income for the year	-	-	-	-	-	(12,750)	85,722	-	(1,374,994)	(1,302,022)
Balance at 31 December 2012	38,446,256	47,418	3,640,756	2,793,231	142,253	38,334	(116,623)	(52,984)	(12,157,487)	32,781,154

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year ended 31 December 2013

	Notes	2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit (loss) for the year		**1,617,813**	(1,374,994)
Non-cash adjustments to reconcile profit (loss) for the year to net cash flows:			
Depreciation		**6,783**	27,485
Provision for employees' end of service benefits		**59,810**	54,076
Impairment loss on inventory properties	6	**168,428**	-
Realised gain on sale of inventory properties		**(1,246,305)**	-
Unrealised gain from re-measurement of investment properties to fair value	8	**(1,643,003)**	(340,100)
Realised gain from sale of investment properties to fair value		**(3,198,000)**	-
Income from real estate investment portfolio		**(6,830)**	(9,251)
(Gain) loss on sale of financial assets carried at fair value through profit or loss		**(2,491)**	218,607
Unrealised loss from financial assets carried at fair value through profit or loss		**-**	60,596
Impairment of financial assets carried at fair value through profit or loss		**78,960**	-
Gain on sale of financial assets available for sale		**-**	(237,594)
Impairment loss on financial assets available for sale	7	**532,023**	703,101
Loss on sale of an associate		**-**	23,828
Finance costs		**1,492,636**	1,764,627
Allowance for impairment of receivables		**197,152**	-
Provision for legal case	12	**2,700,461**	-
Foreign exchange (gain) loss		**(91,794)**	10,486
		665,643	900,867
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		**(3,126,281)**	(99,321)
Inventory properties		**2,851,599**	-
Financial assets carried at fair value through profit or loss		**78,626**	304,663
Accounts payable and accruals		**(632,196)**	(1,831,384)
Cash flows used in operations		**(162,609)**	(725,175)
Employees' end of service benefits paid		**(12,636)**	(9,056)
Net cash flows used in operating activities		**(175,245)**	(734,231)
INVESTMENT ACTIVITIES			
Purchase of property and equipment		**(3,696)**	(3,268)
Purchase of financial assets available for sale			-
Proceeds from sale of financial assets available for sale		**-**	480,093
Income from real estate investment portfolio		**-**	8,176
Additions to investment properties	8	**-**	(12,391)
Proceeds from sale of investment properties		**27,810,000**	-
Proceeds from sale of an associate		**-**	93,837
Net cash flows from investment activities		**27,806,304**	566,447
FINANCING ACTIVITIES			
Repayment of Islamic financing payables		**(25,700,000)**	(200,000)
Finance costs paid		**(1,640,499)**	(1,505,709)
Net cash flows used in financing activities		**(27,340,499)**	(1,705,709)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		**290,560**	(1,873,493)
Net foreign exchange difference		**71,359**	18,963
Bank balances and cash at the beginning of the year		**1,852,453**	3,706,983
BANK BALANCES AND CASH AT THE END OF THE YEAR		**2,214,372**	1,852,453

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

1. CORPORATE INFORMATION

The consolidated financial statements of Tijara & Real Estate Investment Company K.S.C.P. (the "Parent Company") and Subsidiaries (collectively "the Group") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 10 March 2014.

The consolidated financial statements of the Group for the year ended 31 December 2012 approved by the shareholders of the Parent Company during annual general assembly meeting held on 5 May 2013.

The Parent Company is a closed Kuwaiti shareholding company registered and incorporated in Kuwait on 18 April 1983. The Group operates in accordance with the Islamic Share'a and is engaged in the following activities:

- Purchase and sale of land and real estate and exchange thereof; constructing buildings, commercial and residential complexes, and lease and rental thereof.
- Management of own properties and of third parties both inside and outside Kuwait.
- Sale and purchase of securities of companies carrying on similar activities.
- Development and building of real estate properties for the Group and for third parties.
- Maintenance works of buildings and real estate properties owned by the Group, including civil, mechanical, air-conditioning works to preserve all buildings and properties.
- Investing in equities and other investments.

The registered office of the Parent Company is P.O. Box 5655, Safat, 13057 Kuwait. The Parent Company was listed on the Kuwait Stock Exchange on 26 September 2005.

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. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Group 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 preparation

The consolidated financial statements are prepared under the historical cost convention as modified for the revaluation at fair value of financial assets at fair value through profit or loss, financial assets available for sale and investment properties.

The consolidated financial statements have been presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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 interest
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Details of the subsidiaries included in the consolidated financial statements set out below:

Name of company	Equity interest		Country of incorporation	Activities
	2013	2012		
Madar Al Kuwait Trading and Contracting Company W.L.L.	**98%**	98%	Kuwait	General trading
Tilal Real Estae Company W.L.L.	**95%**	95%	Saudi Arabia	Real Estate
Tijara France Company S.A.L.	**100%**	100%	France	Real Estate

The remaining shares in the subsidiary are held by related parties who have confirmed in writing that the Parent Company is the beneficial owner.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The Group assesses its revenue arrangements against specific criteria in order 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 following specific recognition criteria 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 term.

Income from real estate investment portfolio
Income from real estate investment portfolio is recognised when the Group's right to receive payment is established.

Sale of inventory properties
Sale from inventory properties is recognised when risk and rewards of ownership have passed to the buyer, usually on delivery of the properties.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

The finance cost capitalized is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalized is the gross finance cost incurred on those borrowing less any investment income arising on their temporary investment. Finance cost is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalized in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

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 acquired. For each business combination, the acquirer measures the non controlling interest in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed.

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 acquirer.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is re-measured to fair value as at the acquisition date through the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in consolidated statement of income or as other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised over for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

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 acquire are assigned to those units.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement
Financial assets within scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and cash, receivables, financial assets at fair value through profit or loss and financial assets available for sale.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any. Losses arising from impairment are recognised in the consolidated statement of income.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses of investment held for trading are recognized in the consolidated statement of income. Financial assets are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Financial assets available for sale
Financial assets available for sale include equity and debt securities. Equity and debt investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Investments in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values and recognised in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets available for sale (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive the cash flows from the asset have expired.
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(ii) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is 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 loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)
If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to consolidated statement of income.

Financial assets available for sale
For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as financial assets available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

(iii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Parent Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of borrowings, plus directly attributable transactions costs.

The Group's financial liabilities include payables and Islamic financing payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

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

Islamic financing payables
Ijara payable represents the amount payable on a deferred settlement basis for assets purchased under ijara and leasing arrangements. Ijara payable is stated at the aggregate of the minimum lease payment due, net of any deferred costs.

Tawarruq payables represent amounts payable on a deferred settlement basis for commodities purchased

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iii) Financial liabilities (continued)

Subsequent measurement (continued)
under Sukuk arrangements. Tawarruq payables are stated at the gross amount of the payables, less deferred profit payables.

Murabaha payable is stated at the gross amount payable, net of deferred profit payable.

Murabaha profit payable and Ijara costs are recognised on a time proportion basis so as to yield a constant periodic rate of return.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When 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.

(iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of consolidated financial position if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventory properties
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost comprises the purchase cost of the property and other costs incurred in association with the construction or development of property to bring it to the condition necessary to make the sale.

Net realisable value is the estimated selling price in the ordinary course of the business, less costs to completion and the estimated costs necessary to make the sale.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

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

Transfers are made to investment property when, and only when, there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalisation of 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 respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of finance costs and other costs that an entity incurs in connection with the borrowing of funds.

Investment in associates

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of results of an associate is attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of an associate' in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated statement of income.

Property and equipment

Property and equipment is stated at cost, less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of income as the expense is incurred.

Share-based payment transactions

Share-based payment is an expense to be recognised where the Group buys goods or services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions").

Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it is vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-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 then 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 distributed 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.

Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Parent Company makes contributions to social security calculated as a percentage of the employees' salaries. The Parent Company's obligations are limited to these contributions, which are expensed when due.

Foreign currencies translation

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 was determined.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies translation (continued)

Group companies

As at the reporting date, the carrying amount of foreign subsidiaries is translated into the Parent Company's presentation currency at the rate of exchange ruling at the reporting date. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to the particular foreign subsidiary is the recognized in the consolidated statement of income.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Leases

Leases where the Group transfers substantially all the risks and benefits of ownership of the asset are financial leases.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as lease rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Fair value measurements applicable as at 1 January 2013

The Group measures certain financial instruments, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

2.4 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new/amendments to IFRS.

IAS 1 Financial Statement Presentation:

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment has resulted in changes in the presentation of other comprehensive income.

IFRS 10 Consolidated Financial Statements:

IFRS 10, which is effective 1 January 2013, replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. 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. The adoption of this standard did not have any material impact on the financial performance or financial position of the Group.

IFRS 13 Fair Value Measurement

IFRS 13, replaces the guidance on fair value measurement in existing IFRS with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

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 are determined.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective

The following IASB Standards have been issued but are not yet effective and have not been early adopted by the Group.

IFRS 9 'Financial Instruments':

The standard was issued in November 2009, however at the IASB meeting in July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 to be left open. The standard improves the ability of the users of the financial statement to assess the amount, timing and uncertainty of future cash flows of the entity by replacing many financial instrument classification categories, measurement and associated impairment methods.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014.

The application of the above standards is not expected to have a material impact on the financial position or performance of the Group as and when they become effective, except for IFRS 9 which will result in amendments and/or additional disclosures relating to classification, measurement and associated risks of financial instruments.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

Classification of investments
Management decides on acquisition of investments whether it should be classified as financial assets carried at fair value through profit or loss or financial assets available for sale.

The Group classifies financial assets as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through profit or loss depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss. All other investments are classified as available for sale.

Classification of real estate
Management decides on acquisition of a property whether it should be classified as inventory property or investment property.

The Group classifies property as inventory property if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment properties if it is acquired to generate rental income or held for capital appreciation, or for undetermined future use.

Valuation of unquoted investments
Valuation of unquoted 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;
- earnings multiple;
- 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 investments requires estimation.

Impairment of financial assets available for sale

The Group treats financial assets available for sale 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 judgment.

Impairment of receivables

An estimate of the collectible amount of receivables 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Valuation of investment properties

The Group estimates the fair value of investments properties using considerable judgment and assumptions required to reflect the market conditions at the reporting date.

5. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic:
Basic earnings (loss) per share are computed by dividing the profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

Diluted:
Diluted earnings (loss) per share are computed by dividing the profit (loss) for the year, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the employee share option plan as at 31 December 2013.

The information necessary to calculate basic earnings (loss) per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2013 KD	2012 KD
Profit (loss) for the year	**1,617,813**	(1,374,994)
Weighted average number of shares outstanding (excluding treasury shares)	**383,442,560**	383,442,560
Basic and diluted earnings (loss) per share	**4.22 fils**	(3.59) fils

6. INVENTORY PROPERTIES

	2013 KD	2012 KD
Carrying value at 1 January	**6,460,571**	4,706,598
Addition	**309,032**	-
Disposals	**(2,200,100)**	-
Transfer from investment properties (Note 8)	**-**	1,753,973
Impairment loss	**(168,428)**	-
Net foreign exchange gain	**79,898**	-
Carrying value at 31 December	**4,480,973**	6,460,571

During the year, the Group has disposed inventory properties with a carrying value of KD 2,200,100 for a consideration of KD 3,446,405 which resulted in a gain on sale of inventory property of KD 1,246,305.

For certain properties, the Group recognised an impairment loss of KD 168,428 (2012: KD Nil) in the consolidated statement of income for which there has been a decline in fair value below cost.

7. FINANCIAL ASSETS AVAILABLE FOR SALE

	2013 KD	2012 KD
Quoted local equity securities	**172,800**	121,600
Unquoted local equity securities	**77,591**	127,587
Unquoted foreign equity securities portfolio	**-**	484,847
	250,391	734,034

Unquoted local equity securities of KD 77,591 (2012: KD 127,587) are carried at cost because fair value could not be reliably measured. Management has reviewed its unquoted securities for impairment and has recorded impairment loss of KD 50,000 (2012: KD Nil) on these investments. Management is not aware of any circumstances that would indicate any further impairment in the value of these investments at the reporting date.

Unquoted foreign equity securities and unquoted foreign real estate investment portfolio of KD Nil (2012: KD 484,847) are carried at fair value based on periodic reports from related investment manager. An impairment loss of KD 482,023 (2012: KD 703,101) has been recognized in the consolidated statement of income.

8. INVESTMENT PROPERTIES

	2013 KD	2012 KD
Carrying value at 1 January	**60,459,231**	61,727,453
Additions	**-**	12,391
Disposals	**(24,612,000)**	-
Unrealised gain from re-measurement to fair value	**1,643,003**	340,100
Transfer to inventory property	**-**	(1,753,973)
Net foreign exchange (loss) gain	**(69,105)**	133,260
Carrying value at 31 December	**37,421,129**	60,459,231

During the year, the Group has disposed investment properties with a carrying value of KD 24,612,000 for a consideration of KD 27,810,000 which resulted in a gain on sale of investment properties of KD 3,198,000. The Group used the proceeds to settle Islamic financing payables (Note 13).

As at 31 December 2013, part of the investment property of KD Nil (2012: KD 37,571,126) is held under operating lease agreement.

The fair value measurement of investment properties has been categorised as level 3 fair value based on inputs to the valuation technique used and the movement in the fair value of the investment property is shown in the table above.

8. INVESTMENT PROPERTIES (continued)

The fair value of the investment property 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 the Yield Method for some properties, and the combination of the market comparison approach for the land and cost minus depreciation approach of the building for the investment properties. The other is a local reputable accredited who has valued the investment properties using the Yield Method. For the valuation purpose, the Group has selected the lower value of these two valuations as required by the Capital Market Authority (CMA).

During the year ended 31 December 2013, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

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

2013	Kuwait	GCC
Estimated market price for the land (per sqm) (KD)	**1,701**	**841**
Construction costs (per sqm) (KD)	**1,272**	**930**
Average monthly rent (per sqm) (KD)	**17**	**10**
Yield rate	**6.7%**	**6.7%**
Vacancy rate	**10%**	**-**
2012		
Estimated market price for the land (per sqm) (KD)	1,391	818
Construction costs (per sqm) (KD)	1,125	904
Average monthly rent (per sqm) (KD)	14	11
Yield rate	6.5%	7.9%
Vacancy rate	10%	-

Sensitivity analysis

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

	Changes in valuation assumptions	Kuwait KD	GCC KD
2013			
Estimated market price for the land	**+/- 5%**	**833,650**	**196,582**
Average rent	**+/- 5%**	**2,069,091**	**413,856**
Yield rate	**+/- 5%**	**832,806**	**394,149**
Vacancy rate	**+/- 5%**	**903,584**	**413,856**
2012			
Estimated market price for the land	+/- 5%	1,456,700	192,737
Average rent	+/- 5%	2,235,725	405,762
Yield rate	+/- 5%	2,872,050	386,440
Vacancy rate	+/- 5%	2,996,629	405,762

9. SHARE CAPITAL

	Authorised, issued and fully paid	
	2013 KD	2012 KD
384,462,560 share of 100 fils each paid in cash	**38,446,256**	38,446,256

10. RESERVES

As required by the Companies Law and the Parent Company's articles of association, 10% of profit of the Group for the year before contribution to KFAS, NLST and Zakat and after offsetting accumulated losses brought forward, is required to be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve equals or exceeds 50% of 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 distribution of a dividend of that amount.

In accordance with the Parent Company's articles of association, 5% of the profit of the Group before contribution to KFAS, Zakat and NLST and after offsetting accumulated losses brought forward is to be transferred to voluntary reserve. The Group may resolve to discontinue such transfers by a resolution of the Group's board of directors. There are no restrictions on distribution of voluntary reserve provided the distribution is approved by the shareholders general assembly.

In accordance with the Law of Companies and the Parent Company's articles of association, no transfers have been made to reserves since accumulated losses brought forward have not yet been fully recovered.

11. TREASURY SHARES

	2013	2012
Number of shares	**1,020,000**	1,020,000
Percentage of issued shares	**0.27%**	0.27%
Market value (KD)	**72,420**	40,800

Reserves of the Parent Company equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable in the Parent Company.

12. ACCOUNTS PAYABLE AND ACCRUALS

	2013 KD	2012 KD
Payable and retention to contractors	**862,352**	1,503,407
Accrued expenses	**482,548**	622,880
Payable towards acquisition of investment properties	**123,113**	323,521
Advances & refundable deposit	**246,854**	361,222
Payable against legal case	**2,700,461**	-
Other payables	**198,099**	164,410
	4,613,427	2,975,440

12. ACCOUNTS PAYABLE AND ACCRUALS (continued)

In 2006, the Appeal Court ruled in a legal claim of KD 2,700,461 in favour of the Company and KD 1,946,750 against the Company. Accordingly a net off was made and the Company collected KD 753,711 at that date, subsequently both parties went to the Court of Cassation. Subsequent to the reporting date, on 22 January 2014, the Court of Cassation ruled in the matter of appeals against the Company and cancelled the appeal court ruling that was in the favour of the Company. Consequently, the Company has become liable to repay the initial claimed amount of KD 2,700,461 which has been recorded in the consolidated statement of income for the current year.

13. ISLAMIC FINANCING PAYABLES

2013	**Ijara KD**	**Tawaruq KD**	**Total KD**
Gross amount	**1,160,548**	**7,389,074**	**8,549,622**
Less: deferred profit	**(160,548)**	**(220,567)**	**(381,115)**
	1,000,000	**7,168,507**	**8,168,507**

2012	Ijara KD	Tawaruq KD	Total KD
Gross amount	30,282,913	9,058,328	39,341,241
Less: deferred profit	(5,282,913)	(202,531)	(5,485,444)
	25,000,000	8,855,797	33,855,797

The Company has fully settled in cash Ijara agreements representing sale and finance lease back agreements related to certain investment properties of carrying value KD 37,571,126.

14. EMPLOYEES' SHARE OPTION SCHEMES

The Parent Company operates share option scheme to reward the performance of its employees. This scheme will be in operation for a period of 9 years starting from 1 January 2002. The total capital increase to meet the requirements of the scheme should not exceed 10% of the Parent Company's share capital at the end of 2012.

The scheme covers all senior executives who are granted an option to subscribe for shares allotted to them at the commencement of each year of a three-year period, at the end of which the employee may exercise the option. These options expire after a three-year period from the grant date. Employee may exercise the option at any time during the life of the option.

At 31 December 2013 and 2012, no options are outstanding, granted or exercised.

15. RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders, directors and senior management of the Group, and companies of which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

There were no balances at year end or transactions entered with related parties during the year.

Compensation of key management personnel is shown below:

	2013 KD	2012 KD
Key management compensation		
Salaries and other short term benefits	**236,700**	236,700
Employees' end of service benefits	**39,122**	37,600
	275,822	274,300

16. CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitment

The Group does not have capital commitments in respect of construction agreements as of the reporting date.

Contingent liabilities

At 31 December 2013, the Group has contingent liabilities representing a letter of guarantee amounting to KD 4,833,000 (2012: KD 4,833,000) and from which it is anticipated that no material liability will arise.

17. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real estate investing 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.

- Equity and other investing activities comprise participation in financial and real estate funds and managing the Group's liquidity requirements.

17. SEGMENT INFORMATION (continued)

Year ended 31 December 2013	**Real estate investing activities KD**	**Equities and other investing activities KD**	**Unallocated KD**	**Total KD**
Segment revenue	**1,863,624**	**-**	**-**	**1,863,624**
Segment results	**1,493,977**	**-**	**-**	**1,493,977**
Net gain on inventory properties	**1,077,877**	**-**	**-**	**1,077,877**
Realised gain from sale of investment properites	**3,198,000**	**-**	**-**	**3,198,000**
Unrealised gain from re-measurement of investment properties to fair value	**1,643,003**	**-**	**-**	**1,643,003**
Unrealised loss from financial assets carried at fair value through profit or loss	**-**	**(78,960)**	**-**	**(78,960)**
Reliased gain on sale of financial assets carried at fair value through profit or loss	**-**	**2,491**	**-**	**2,491**
Impairment loss on financial assets available for sale	**-**	**(532,023)**	**-**	**(532,023)**
Unallocated expenses - net	**-**	**-**	**(5,186,552)**	**(5,186,552)**
Segment profit /(loss)	**7,412,857**	**(608,492)**	**(5,186,552)**	**1,617,813**
Segment assets	**47,338,874**	**250,391**	**3,909**	**47,593,174**
Segment liabilities	**12,781,934**	**-**	**389,791**	**13,171,725**

Year ended 31 December 2012	Real estate investing activities KD	Equities and other investing activities KD	Unallocated KD	Total KD
Segment revenue	1,974,333	-	-	1,974,333
Segment results	1,595,767	-	-	1,595,767
Unrealised gain from re-measurement of investment properties to fair value	340,100	-	-	340,100
Unrealised loss from financial assets carried at fair value through profit or loss	-	(60,596)	-	(60,596)
Reliased gain on sale of financial assets carried at fair value through profit or loss	-	(218,607)	-	(218,607)
Reliased gain on sale of financial assets available for sale	-	237,594	-	237,594
Impairment loss on financial assets available for sale	-	(703,101)	-	(703,101)
Loss on sale of an associate	-	(23,828)	-	(23,828)
Unallocated expenses - net	-	-	(2,542,323)	(2,542,323)
Segment profit /(loss)	1,935,867	(768,538)	(2,542,323)	(1,374,994)
Segment assets	69,058,883	889,129	6,996	69,955,008
Segment liabilities	36,831,237	-	342,617	37,173,854

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 profit rate risk, foreign currency risk and equity price risk.

Risk management structure

The Board of Directors of the Parent Company is ultimately responsible for identifying and controlling risks and for the overall risk management approach and for approving the risk strategies and principles.

Executive management

The Executive management of the Group formulates the risk management policies of the Group and makes recommendations to the Board of Directors.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

With respect to credit risk arising from the other financial assets of the Group, including bank balances and cash, 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. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements (if any).

	Gross maximum exposure 2013 KD	Gross maximum exposure 2012 KD
Cash and bank balances (excluding cash on hand)	**2,211,563**	1,851,060
Accounts receivables and prepayments	**3,222,400**	286,628
Total credit risk exposure	**5,433,963**	2,137,688

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 (if any), can be analysed by the following geographical regions and industrial sectors:

	2013				2012			
	Banking and financial services KD	**Construction and real estate KD**	**Other KD**	**Total KD**	Banking and financial services KD	Construction and real estate KD	Other KD	Total KD
Kuwait	**2,211,563**	**3,111,378**	**111,022**	**5,433,963**	1,851,060	259,734	26,894	2,137,688

18. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Liquidity risk and funding management

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Analysis of financial liabilities by remaining contractual maturities

The contractual maturities of liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profiles of the financial liabilities at the year-end are based on contractual undiscounted repayment arrangement or on management's estimate of planned exit dates.

The maturity profile of the undiscounted financial liabilities at 31 December was as follows:

31 December 2013	**Within 3 months KD**	**3 to 6 months KD**	**6 to 12 months KD**	**1 to 3 years KD**	**Over 3 years KD**	**Total KD**
LIABILITIES						
Accounts payable and accruals	**-**	**-**	**4,613,427**	**-**	**-**	**4,613,427**
Islamic financing payables	**493,110**	**-**	**319,795**	**2,369,000**	**5,367,717**	**8,549,622**
TOTAL LIABILITIES	**493,110**	**-**	**4,933,222**	**2,369,000**	**5,367,717**	**13,163,049**

31 December 2012	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	1 to 3 years KD	Over 3 years KD	Total KD
LIABILITIES						
Accounts payable and accruals	-	-	2,975,440	-	-	2,975,440
Islamic financing payables	757,882	57,706	845,862	2,713,000	34,966,791	39,341,241
TOTAL LIABILITIES	757,882	57,706	3,821,302	2,713,000	34,966,791	42,316,681

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates and equity 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.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

a) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market profit rates. The Group is exposed to profit rate risk on its floating profit bearing Ijara agreements (Note 13). Other than this the Group is dealing with Islamic financial institutions, hence is not exposed to profit rate risk on their facilities.

18. RISK MANAGEMENT (continued)

Market risk (continued)

a) Profit rate risk (continued)

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

	Increase in basis points	Effect on profit/ (loss) for the year KD
2013	**+/-1%**	**10,000**
2012	+/-1%	250,000

b) 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 of the Parent Company on the basis of limits determined by the Parent Company's board of directors and a 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.

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

	2013		2012	
Currency	**Change in currency rate in %**	**Effect on profit for the year KD**	Change in currency rate in %	Effect on loss for the year KD
USD	**+/-3%**	**140,055**	+/-3%	157,808

c) Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company. 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.

The effect on other comprehensive income (as a result of a change in the fair value of financial assets available for sale at 31 December) and Group's results (as a result of a change in the fair value of financial assets at fair value through profit or loss at 31 December) due to a reasonably possible change in market indices, with all other variables held constant are as follows:

18. RISK MANAGEMENT (continued)

Market risk (continued)

c) Equity price risk (continued)

	2013			2012		
Market indices	Change in equity price %	Effect on profit for the year KD	Effect on other comprehensive loss KD	Change in equity price %	Effect on loss for the year KD	Effect on other comprehensive loss KD
Kuwait	+/-5	-	12,519	+/-5	3,807	12,459
GCC	+/-5	-	-	+/-5	3,948	-
Others	+/-5	-	-	+/-5	-	24,242

In respect of unquoted financial assets available for sale carried at cost (Note 7), the impact of changes in equity prices cannot be reliably determined due to unavailability of reliable fair value of these investments.

19. 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 and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. Other than using the gearing ratio to monitor the Group's capital, 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, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic financing payable, accounts payable and accruals less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Parent Company.

	2013 KD	2012 KD
Accounts payable and accruals	4,613,427	2,975,440
Islamic financing payable	8,168,507	33,855,797
Less: Cash and balances with banks	(2,214,372)	(1,852,453)
Net debt	10,567,562	34,978,784
Equity	34,421,449	32,781,154
Total capital	34,421,449	32,781,154
Capital and net debt	44,989,011	67,759,938
Gearing ratio	23%	52%

20. FAIR VALUES MEASUREMENTS

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements:

As at 31 December 2013	**Level 1 KD**	**Level 3 KD**	**Total KD**
Financial assets available for sale	172,800	77,591	250,391
	172,800	**77,591**	**250,391**

As at 31 December 2012	Level 1 KD	Level 3 KD	Total KD
Financial assets at fair value through profit or loss	76,134	78,961	155,095
Financial assets available for sale	121,600	612,434	734,034
	197,734	691,395	889,129

During the year ended 31 December 2013, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets carried at fair value through profit or loss, financial assets available for sale, investment properties and inventory properties is based on management's estimate of liquidation of those assets.

The maturity profile of assets and liabilities is as follows:

31 December 2013	**Within 3 months KD**	**3 to 12 months KD**	**1 to 5 years KD**	**Total KD**
ASSETS				
Bank balances and cash	**2,214,372**	**-**	**-**	**2,214,372**
Accounts receivable and prepayments	**-**	**3,222,400**	**-**	**3,222,400**
Inventory properties	**-**	**4,480,973**	**-**	**4,480,973**
Financial assets available for sale	**-**	**-**	**250,391**	**250,391**
Investment properties	**-**	**-**	**37,421,129**	**37,421,129**
Property and equipment	**-**	**-**	**3,909**	**3,909**
TOTAL ASSETS	**2,214,372**	**7,703,373**	**37,675,429**	**47,593,174**
LIABILITIES				
Accounts payable and accruals	**-**	**4,613,427**		**4,613,427**
Islamic financing payables	**-**	**-**	**8,168,507**	**8,168,507**
Employees' end of service benefits	**-**	**-**	**389,791**	**389,791**
TOTAL LIABILITIES	**-**	**4,613,427**	**8,558,298**	**13,171,725**

21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2012	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
ASSETS				
Bank balances and cash	1,852,453	-	-	1,852,453
Accounts receivable and prepayments	-	286,628	-	286,628
Financial assets carried at fair value through profit or loss	-	155,095	-	155,095
Inventory properties	-	6,460,571	-	6,460,571
Financial assets available for sale	-	-	734,034	734,034
Investment properties	-	-	60,459,231	60,459,231
Investment in associates	-	-	-	-
Property and equipment	-	-	6,996	6,996
TOTAL ASSETS	1,852,453	6,902,294	61,200,261	69,955,008
LIABILITIES				
Accounts payable and accruals	-	2,975,440	-	2,975,440
Islamic financing payables	-	-	33,855,797	33,855,797
Employees' end of service benefits	-	-	342,617	342,617
TOTAL LIABILITIES	-	2,975,440	34,198,414	37,173,854