تجارة

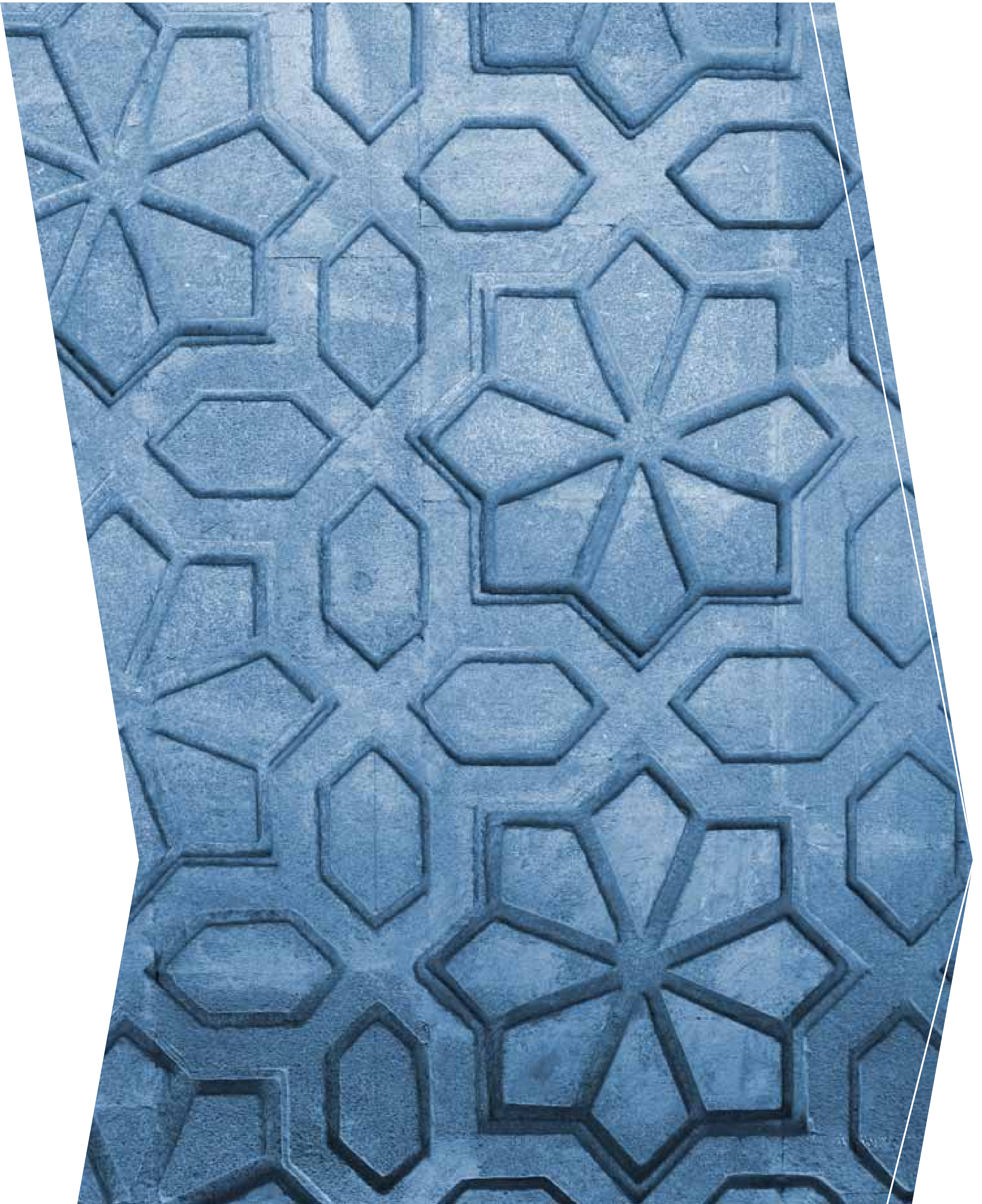
TIJARA

شركة التجارة والاستثمار العقاري ش.م.ك عامة

& REALESTATE INVESTMENT K.S.C (PUBLIC)

FROM LAND TO LANDMARK

Annual Report 2012



In The Name of Allah

THE MOST GRACIOUS, THE MOST MERCIFUL

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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FEBRUARY

February 25 & 26 Towers

THE VISION

Located in the growing and most sought-after business area of Sharq City, the February 25th & 26th Towers have been named to represent both the Liberation & National days of Kuwait.

The buildings consist of two unique towers 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, whereas the 26th February Tower is 17 floors in height. Total floor area, including service area, is between 280- 320 sqm.

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

HIGH TECH. INSTALLATIONS

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

The towers have 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 both towers, the towers also have the latest in fire fighting & early alert systems as well as a 24 hour guard service.

CLIFFS

Luxurious Residential Property

The Cliffs

The Cliffs is a charming project that offers a welcoming and cosy atmosphere amidst an aesthetically pleasing view of blue sea horizons amidst the quiet oasis that is The Cliffs. Inspired by nature, the project is nestled in the prestigious Salmiya district by the Arabian Sea, a location that offers its residents the benefit of being away from the bustle of the city yet remaining within comfortable distance to fully enjoy the dynamics of city life.

The Cliffs offers villas as well as residential units constructed in a style and grandeur that is second to none. The 12 independent, upscale and luxurious villas occupy three floors each and span an area of 390 sqm, including an elevator and swimming pool. The residential units, 26 in number, are spacious, elegant and modern. Each of the homes enjoy splendid sea views on one side and beautifully landscaped gardens on the other.

Within the interiors of the villas and the apartments, every single detail has been carefully considered, every amenity and facility is included to create a hub of tranquility and retro experience for those that live there. The impressive list of on-site recreation and relaxation facilities include an adult sized swimming pool and a kids' pool, separate health clubs for men & women and squash courts.

What's more, 4 service elevators, 2 with panoramic sea views, and a 4 level parking lot that can accommodate up to 90 cars, add to the comfort and convenience of all residents.

The reception hall and living rooms are rich, warm and inviting; particularly well-suited for the lifestyle of the elite. All the rooms and guest bedrooms are quite simply a fusion of traditional designs combined with beautiful materials that achieve a chic, understated look. The master bedrooms feature an attached bathing area and changing room. The fully modular kitchen is as striking in design as it is in functionality. The homes also have two extra bedrooms with an attached bathroom for the maid and the driver.

Cliffs is a range of high quality fixtures, fittings and styling materials that complement the contemporary settings, creating a cool modern yet timeless appeal.

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

Shareholder brothers,
Peace be upon you and His mercy and blessings,

The year 2012 left, while it didn't leave behind any significant achievements for the private sector or even the State.
Although the year 2012 started distinctively and full of events on several areas, but the excessive political events on the regional and local levels quickly overshadowed the rest of the other areas, thus reflected on the economy in various sectors, where it became clear that Kuwait has become in the light of recent economic policies a repellent environment to both domestic and foreign investments as referred to by several global investment reports.

Kuwait has been ranked "first" among Arab countries as largest exporter of foreign direct investment in 2011, which refers to the migration of domestic capital to search for investment abroad due to the lack of local investment opportunities as a result of those discouraging adopted policies. Other reports stated that Kuwait enjoys a huge fortune and a strong banking sector, but its failure to adequately pump capital or expenditure or to diversify the economy away from oil, hindered the process of development.

We repeatedly pointed out in the past to the issue of weak capital spending in the state, and that development cannot be achieved due to poor investment spending, which is considered one of the main reasons that led to the aggravation of the crisis experienced by the national economy.

The government's spending is one of the main exits from this crisis, and that the government should be well aware that the continued reliance on oil at this stage experienced by the world, may cause a lot of economic problems especially in light of oil-consuming countries search for alternative energy sources, a matter which will negatively affect the budgets of oil-producing countries. In this context, we have to direct the huge financial reserves accumulated in banks towards productive development projects that will undoubtedly contribute to reducing our dependence on oil relatively.

The economic crisis has exacerbated in Kuwait to the extent that temporal treatment administered by government over the past years have proved futile, while it was supposed that everyone should have exerted great efforts to control the impacts of the global crisis that still affect many countries of the region and the world since 2008, and to work for the rejuvenation of the country again and achieve development and economic aspirations, but instead, they turned to political debates and totally neglected the economic side. The year 2012 witnessed events, numerous political tensions and long political conflicts among all parties, which unfortunately resulted in hampering any tangible economic achievement except in few areas as summed up below:

Banking Sector:

The need for more provisions

The Banking sector has recovered relatively in 2012, as it witnessed a growth in credit and deposits, although its focus remained on personal loans, especially consumer ones, however, and in spite of this improvement, the year 2012 has witnessed outstanding events that affected this sector. Banks continued to take a lot of provisions which made the operating environment become hard. These provisions pressed strongly on the profits of more than one bank, and banks 'for its part' continued to set aside more provisions, whether specific or general, either to cover deficit loans or to be more cautious. But In general, we believe that this sector has started to recover and on its way to overcome a large proportion of the damage resulted from the financial crisis.

Real Estate Sector:

Positive progress and ongoing suffering of commercial sector

The outcome of the real estate market in 2012 was positive. Real estate market liquidity increased by 15.8% compared to 2011 liquidity which amounted 2,879 million dinars, while 2012 achieved the level of 3,334.6 million dinars.

The activity of private and investment housing took up 91.2% of the liquidity of real estate market in 2012, leaving about 8.0% of the liquidity only for the commercial sector, compared to 8.3% in 2011, and about 0.8% to the stores sector, compared with 0.4% in 2011.

Although the real estate showed good improvement during the year 2012, and achieved some significant progress, particularly in both private residential and investment sectors, the commercial sector has suffered and is still suffering. Vacancies in this sector are high and influenced the value of the commercial towers and their rental value.

We see that the problem of commercial real estate will not be resolved without a great activity of the economic movement in the country. This sector is still the most affected among the various real estate sectors, and more specifically in the Capital Governorate, in light of excess supply and low demand, and the resort of many companies to reduce their offices within the policy of rationalization of expenditures as a result of the successive political and economic crises which imposed their implications on these companies.

With all this decline in this sector, even after the ratification of the National Portfolio, which has not yet changed anything on the ground of reality, shows the need once again to the intervention of the government through activating the role of this portfolio, and through the establishment of development projects that stimulate the

economy, and renting vacant buildings and use them as government buildings, in order to run the economic cycle in an integrated manner.

Overview to the real estate market in 2012

In a comprehensive overview, we conclude that the real estate market has made progress in some sectors in 2012 with the exception of both commercial and industrial sectors. The results during 2012 are among the best results achieved since the outbreak of the global financial crisis mid - 2008, where in conjunction with the improvement of the conditions of real estate during 2012. We find that operating real estate companies emerged and even succeeded in skipping part of the real estate crisis, attracted a lot of investors, and were able to improve their performance and which was clearly evident in its financial results during the year 2012.

On the other hand, most real estate companies were significantly affected by the downturn in the credit market, scarcity of funding sources, in addition to high debt for some of these companies and the depreciation of their investments, which had a larger role in the pressure on net profit of the companies in the sector.. Add to this, the struggle of many companies with the economic conditions imposed by current events, where they are suffering from creating plans to restructure their debts and with the difficulty of getting rid of some of their investments.

2013... Optimism and improvement

The performance of the real estate sector is expected to improve more during the year 2013 with an expected turnout in light of the decrease in interest in local banks, activating the role of the National Portfolio and increase in liquidity in the market, taking into account the scarcity of other investment opportunities.

We also believe that the year 2013 will witness a positive shift towards commercial real estate in particular, and we expect it would achieve growth in the short and medium terms, as it will be a reaction to the tendency of the State to fill vacancies and exploit them as governmental buildings as well as application of the development plan, in addition to that the signs are indicating somewhat positive to renew investors confidence in this sector, where demand is expected to increase compared to the last four years.

Distinguished brothers

Despite all these crises and obstacles, including political, economic ones , “Tijara” is still insistent and determined to break the cycle of successive crises, and still its management staff and all employees insist on maintaining the name and reputation of “Tijara” as one of the leading companies in the field of real estate development.

The most powerful storms have passed, and despite all crises, the company and its employees spared no efforts to achieve their ultimate goal and sail to the safe shore with the least damages possible and to achieve aspired goal and success to the company and its shareholders.

The construction of Towers “25-26 February” has completed despite all the challenges. Leasing process has already begun after connecting power and installing towers with integrated systems of infrastructure and multi services as requested by the tenants, add to that they are smart towers. The rest of the company properties located in several areas in Kuwait are going very well, with high occupancy rates, and they are profitable and promising ones.

As for the company’s overseas investments, they are stable and going according to the planned future estimates, where we hope to develop or sell some of them in the future and increase the productivity of the others.

With regard to the Company’s financial investments, the company is continuing with its plan and former approach toward reducing the size of these investments to the possible minimum extent, which is evident in the size of these investments now than it was in the past.

This comes as part of the efforts of the company to focus its hard work in practicing real estate activities in order to ensure stable and secure assets as well as stable and meaningful returns at the same time.

The net loss for the year 2012 reached (1,374,994) Kuwaiti dinars compared with the year 2011, which recorded a loss (5,952,485) Kuwaiti dinars. The return on capital loss achieved loss (3.59) fils per share in 2012 compared to a loss of (15.52) fils per share in 2011, while the book value reached (85.26) fils per share in 2012, compared to (89) fils per share in 2011.

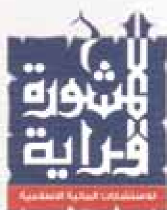
The total income and expenses for 2012 was KD 1,209,069 and KD (2,584,063) respectively.

Finally... We would like to thank all administrative and executive organs of the company and all officials and employees for their sincere efforts, and our thanks extend to the distinguished brothers the members of the Sharia Supervisory Board and the Auditors.

We also renew our gratitude and thanks to all the shareholder brothers who have given us their trust and support during the previous period, asking God to guide us to the interest of the company.

May peace and God’s mercy and blessings,,,

Sheikh Ali Abdullah Khalifa Al-Sabah
Chairman



Report of the Shariah Committee

Praise be to Allah alone and peace and blessings be upon the Prophet and his family and companions.

To the shareholders of "Tijara & Real Estate Investment Company":

Peace and Allah's mercy and blessings be upon you.

According to the Agreement contract signed with us, we have audited the contracts and transactions carried out by the company during the financial period ended 31/12/2012 to introduce our opinion on the company's commitment to the provisions of Islamic law as described in the instructions and Islamic opinions and decisions that have been issued by us.

The Company bears the responsibility for the commitment of carrying out the contracts and transactions in accordance with the provisions of the Islamic Sharia as described by us and our responsibility is limited to introducing an independent opinion on the extent of company's commitment to do so based on our audit.

We have conducted our audit in accordance with the standards of regulations issued by the Auditing Organization for Islamic Financial Institutions that require that we plan and implement audit procedures in order to get all the information and explanations and statements which we consider necessary to provide us with evidences sufficient to give reasonable assurance that the company is committed to the provisions of Islamic law that have been described by us.

We have conducted our audit on the basis of examination of samples of each type of contracts and transactions executed during the period and we believe that our audit provides a suitable basis for our opinion

In our opinion:

- During the prescribed financial period, the company is committed to implementing its obligations towards the carrying out of contracts and transactions, according to the provisions of Islamic law as reflected in the views and the instructions and decisions that have been issued by us.
- The Company is not empowered to pay Zakat as it falls within the responsibility of the shareholders

Dr Abdulaziz Al-Qassar	**Dr Eisa Zaki**	**Dr Ali Alrashed**
Chariman	**Member**	**Member**

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

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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

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

	Notes	**2012 KD**	2011 KD
Rental income		**1,965,082**	1,847,382
Property operating expenses		**(378,566)**	(216,057)
Unrealised gain (loss) from re-measurement of investment properties to fair value	9	**340,100**	(4,861,176)
Net profit (loss) on investment properties		**1,926,616**	(3,229,851)
Impairment loss on inventory properties	7	**-**	(19,114)
Net loss on inventory properties		**-**	(19,114)
Unrealised loss from financial assets carried at fair value through profit or loss	6	**(60,596)**	(565,259)
Realised (loss) gain on sale of financial assets carried at fair value through profit or loss	6	**(218,607)**	26,129
Realised gain on sale of financial assets available for sale		**237,594**	695,241
Impairment loss on financial assets available for sale	8	**(703,101)**	(1,540,045)
Loss on sale of an associate		**(23,828)**	(9,242)
Income from real estate investment portfolio		**9,251**	50,400
Net investment loss		**(759,287)**	(1,342,776)
Write back of impairment of receivables		**-**	315,278
Administrative expenses		**(819,436)**	(934,289)
Operating profit (loss)		**347,893**	(5,210,752)
Finance costs		**(1,764,627)**	(1,067,224)
Foreign exchange (loss) gain		**(10,486)**	256,511
Other income		**52,226**	68,980
LOSS FOR THE YEAR		**(1,374,994)**	(5,952,485)
BASIC AND DILUTED LOSS PER SHARE	5	**(3.59) fils**	(15.52) fils

The attached notes 1 to 23 from part of these consolidated financial statements

	Notes	2012 KD	2011 KD
Loss for the year		**(1,374,994)**	(5,952,485)
Other comprehensive loss:			
Financial assets available for sale:			
- Net unrealised loss		**(690,271)**	(993,208)
- Recycled to consolidated statement of income on sale		**(25,580)**	(695,241)
- Impairment loss transferred to consolidated statement of income	8	**703,101**	1,540,045
		(12,750)	(148,404)
Exchange difference on translation of foreign operations		**85,722**	(2,962)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**72,972**	(151,366)
TOTAL COMPERHENSIVE LOSS FOR THE YEAR		**(1,302,022)**	(6,103,851)

The attached notes 1 to 23 from part of these consolidated financial statements

	Notes	2012 KD	2011 KD
ASSETS			
Bank balances and cash		**1,852,453**	3,706,983
Accounts receivable and prepayments		**286,628**	186,169
Financial assets carried at fair value through profit or loss	6	**155,095**	738,961
Inventory properties	7	**6,460,571**	4,706,598
Financial assets available for sale	8	**734,034**	1,692,384
Investment properties	9	**60,459,231**	61,727,453
Investment in associates		**-**	117,665
Property and equipment		**6,996**	31,213
TOTAL ASSETS		**69,955,008**	72,907,426
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**38,446,256**	38,446,256
Share premium		**47,418**	47,418
Statutory reserve	11	**3,640,756**	3,640,756
General reserve	12	**2,793,231**	2,793,231
Share options reserve		**142,253**	142,253
Cumulative changes in fair values		**38,334**	51,084
Foreign currency translation reserve		**(116,623)**	(202,345)
Treasury shares	13	**(52,984)**	(52,984)
Accumulated losses		**(12,157,487)**	(10,782,493)
Total equity		**32,781,154**	34,083,176
Liabilities			
Accounts payable and accruals	14	**2,975,440**	4,543,675
Islamic financing payables	15	**33,855,797**	33,982,978
Employees' end of service benefits		**342,617**	297,597
Total liabilities		**37,173,854**	38,824,250
TOTAL EQUITY AND LIABILITIES		**69,955,008**	72,907,426

Sheikh Ali A. A. Al-Sabah
Chairman

Tareq Fareed Al Othman
Vice Chairman and Managing Director

The attached notes 1 to 23 from part of these consolidated financial statements

	Share capital	Share premium	Statutory reserve	General reserve	Share options reserve	Cumulative changes in fair values	Foreign currency translation reserve	Treasury shares	Accumulated losses	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
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**
Balance as at 1 January 2011	38,446,256	47,418	3,640,756	2,793,231	142,253	199,488	(199,383)	(52,984)	(4,830,008)	40,187,027
Loss for the year	-	-	-	-	-	-	-	-	(5,952,485)	(5,952,485)
Other comprehensive loss	-	-	-	-	-	(148,404)	(2,962)	-	-	(151,366)
Total comprehensive loss for the year	-	-	-	-	-	(148,404)	(2,962)	-	(5,952,485)	(6,103,851)
Balance at 31 December 2011	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

The attached notes 1 to 23 from part of these consolidated financial statements

	Notes	**2012 KD**	2011 KD
OPERATING ACTIVITIES			
Loss for the year		**(1,374,994)**	(5,952,485)
Non-cash adjustments to reconcile loss for the year to net cash flows:			
Depreciation		**27,485**	39,589
Provision for employees' end of service benefits		**54,076**	52,132
Impairment loss on inventory properties	7	**-**	19,114
Unrealised (gain) loss from re-measurement of investment properties to fair value	9	**(340,100)**	4,861,176
Income from real estate investment portfolio		**(9,251)**	(50,400)
Loss (gain) on sale of financial assets carried at fair value through profit or loss	6	**218,607**	(26,129)
Unrealised loss from financial assets carried at fair value through profit or loss	6	**60,596**	565,259
Gain on sale of financial assets available for sale		**(237,594)**	(695,241)
Impairment loss on financial assets available for sale	8	**703,101**	1,540,045
Loss on sale of an associate		**23,828**	9,242
Finance costs		**1,764,627**	1,067,224
Write back of allowance for impairment of receivables		**-**	(315,278)
Foreign exchange loss (gain)		**10,486**	(256,511)
		900,867	857,737
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		**(99,321)**	688,041
Inventory properties		**-**	(621,884)
Financial assets carried at fair value through profit or loss		**304,663**	109,721
Accounts payable and accruals		**(1,831,384)**	2,811,027
Cash flows (used in) from operations		**(725,175)**	3,844,642
Employees' end of service benefits paid		**(9,056)**	(4,175)
Net cash flows (used in) from operating activities		**(734,231)**	3,840,467
INVESTMENT ACTIVITIES			
Purchase of property and equipment		**(3,268)**	(4,819)
Purchase of financial assets available for sale		**-**	(43,574)
Proceeds from sale of financial assets available for sale		**480,093**	3,199,738
Income from real estate investment portfolio		**8,176**	50,400
Additions to investment properties	9	**(12,391)**	(5,754,938)
Proceeds from sale of an associate		**93,837**	12,993
Net cash flows from (used in) investment activities		**566,447**	(2,540,200)
FINANCING ACTIVITIES			
Islamic financing payables		**-**	25,000,000
Repayment of Islamic financing payables		**(200,000)**	(10,209,549)
Repayment of Islamic sukuk		**-**	(16,893,090)
Finance costs paid		**(1,505,709)**	(670,320)
Net cash flows used in financing activities		**(1,705,709)**	(2,772,959)
NET DECREASE IN BANK BALANCES AND CASH		**(1,873,493)**	(1,472,692)
Net foreign exchange difference		**18,963**	356,369
Bank balances and cash at the beginning of the year		**3,706,983**	4,823,306
BANK BALANCES AND CASH AT THE END OF THE YEAR		**1,852,453**	3,706,983

The attached notes 1 to 23 from part of these consolidated financial statements

1. CORPORATE INFORMATION

The consolidated financial statements of Tijara & Real Estate Investment Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively "the Group") for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 11 March 2013.

The consolidated financial statements of the Group for the year ended 31 December 2011 approved by the shareholders of the Parent Company during annual general assembly meeting held on 21 May 2012.

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 Shari'ah 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.

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.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. According to article 2 of the Decree, the Company has a period of 6 months from 29 November 2012 to regularize its affairs in accordance with the Companies Law.

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.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2012.

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 2012	Equity interest 2011	Country of incorporation	Activities
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

Certain 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:

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 acquired 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

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 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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Derecognition (continued)

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.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment of financial assets (continued)

Financial assets available for sale (continued)

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, Islamic financing payables and Islamic sukuk.

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 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iii) Financial liabilities (continued)

Subsequent measurement (continued)

Islamic sukuk
Islamic sukuk is a contractual debt obligation whereby the issuer is contractually obliged to pay, on certain specified dates, agreed profit and principle, whereas the sukuk holders claim an undivided beneficial ownership in the underlying asset.

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.

(v) Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 22.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(v) Fair value of financial instruments (continued)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iv) Offsetting of financial instruments (continued)

Investment in associates (continued)

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").

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iv) Offsetting of financial instruments (continued)

Share-based payment transactions (continued)

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 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 Company makes contributions to social security calculated as a percentage of the employees' salaries. The 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)

Financial instruments – initial recognition and subsequent measurement (continued)

(iv) Offsetting of financial instruments (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, and the share of results from associates are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within other comprehensive income. On disposal of a foreign associate, the deferred cumulative amount recognized in other comprehensive income relating to the particular foreign associate 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.

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 and amended IFRS recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2012. However the implementation of new and amended IFRS and IFRIC interpretations did not have a significant impact on the Group's consolidated financial statements.

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)
- IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

2.4 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has been no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its consolidated financial statements.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised IASB Standards, IFRSs and IFRIC Interpretations issued, but not yet adopted

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its consolidated financial position or performance.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendment becomes effective for annual periods beginning on or after 1 July 2012. It changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to consolidated statement of income 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 affects presentation only and has no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB Standards, IFRSs and IFRIC Interpretations issued, but not yet adopted (continued)

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance and become effective for annual periods beginning on or after 1 January 2014.

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

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's consolidated financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance.

IFRS 10 Consolidated Financial Statements

This standard becomes effective for annual periods beginning on or after 1 January 2013. It replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. The standard establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

The standard becomes effective for annual periods beginning on or after 1 January 2013. It replaces IAS 31 "Interests in Joint Ventures". The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB Standards, IFRSs and IFRIC Interpretations issued, but not yet adopted (continued)

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, the standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance, the standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

The amendment becomes effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12; IAS 28 has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance.

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.

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

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.

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 LOSS PER SHARE

Basic:

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

Diluted:

Diluted earnings per share are computed by dividing the 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 2012.

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

	2012 **KD**	2011 KD
Loss for the year	**(1,374,994)**	(5,952,485)
Weighted average number of shares outstanding (excluding treasury shares)	**383,442,560**	383,442,560
Basic and diluted loss per share	**(3.59) fils**	(15.52) fils

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise the following:

	2012 KD	2011 KD
Held for trading:		
Quoted local equity securities	76,134	660,000
Designated as fair value through profit or loss:		
Unquoted foreign equity securities	78,961	78,961
	155,095	738,961

Unrealised loss from financial assets carried at fair value through profit or loss included in consolidated statement of income comprise the following:

	2012 KD	2011 KD
Held for trading:		
Quoted local equity securities	60,596	300,000
Designated as fair value through profit or loss:		
Unquoted foreign equity securities	-	265,259
	60,596	565,259

Realised (loss) gain on sale of financial assets carried at fair value through profit or loss included in consolidated statement of income comprise of following:

	2012 KD	2011 KD
Held for trading:		
Quoted local equity securities	(218,607)	-
Designated as fair value through profit or loss:		
Unquoted foreign equity securities	-	26,129

7. INVENTORY PROPERTIES

	2012 KD	2011 KD
Carrying value at 1 January	**4,706,598**	4,103,828
Addition	**-**	621,884
Transfer from investment properties (Note 9)	**1,753,973**	-
Impairment loss	**-**	(19,114)
Carrying value at 31 December	**6,460,571**	4,706,598

As at 31 December, the fair value of inventory properties amounting to KD 6,460,571 (2011: KD 4,725,712) has been determined by an independent valuer. For certain properties, the Group recognised an impairment loss of KD Nil (2011: KD 19,114) in the consolidated statement of income for which there has been a decline in fair value below cost.

8. FINANCIAL ASSETS AVAILABLE FOR SALE

	2012 KD	2011 KD
Quoted local equity securities	**121,600**	92,800
Unquoted local equity securities	**127,587**	127,272
Unquoted foreign real estate investment portfolio	**-**	987,410
Unquoted foreign equity securities portfolio	**484,847**	484,902
	734,034	1,692,384

An impairment loss of KD Nil (2011: KD 57,181) has been recorded against the quoted local equity securities on which there has been a significant or prolonged decline in value.

Unquoted local equity securities of KD 127,586 (2011: KD 127,272) 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 Nil (2011: KD 368,013) 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 484,847 (2011: KD 1,472,312) are carried at fair value based on periodic reports from related investment manager. An impairment loss of KD 703,101 (2011: KD 1,114,851) has been recognized in the consolidated statement of income.

9. INVESTMENT PROPERTIES

	2012 KD	2011 KD
Carrying value at 1 January	**61,727,453**	60,936,511
Additions	**12,391**	4,812,453
Borrowing costs capitalised	**-**	942,485
Unrealised gain (loss) from re-measurement to fair value	**340,100**	(4,861,176)
Transfer to Inventory Property	**(1,753,973)**	-
Net foreign exchange gain (loss)	**133,260**	(102,820)
Carrying value at 31 December	**60,459,231**	61,727,453

The Board of Directors decided in their meeting held on 31 December 2012 to reclassify property under development with its fair market value amounting KD 1,753,973 estimated by an independent valuer to inventory Properties (Note 7).

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 (2011: average of two valuations) as required by the Capital Market Authority (CMA).

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

2012	Kuwait	GCC
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%**	**-**

2011		
Estimated market price for the land (per sqm) (KD)	1,326	825
Construction costs (per sqm) (KD)	1,162	818
Average monthly rent (per sqm) (KD)	14	11
Yield rate	6.8%	8.2%
Vacancy rate	10%	-

9. INVESTMENT PROPERTIES (continued)

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

	Changes in valuation assumptions	Kuwait	GCC
2012		**KD**	KD
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**
2011			
Estimated market price for the land	+/- 5%	1,388,550	192,737
Average rent	+/- 5%	2,405,767	387,370
Yield rate	+/- 5%	2,455,361	368,924
Vacancy rate	+/- 5%	2,573,925	387,370

As at 31 December 2012, part of the investment property of KD 37,571,126 (2011: KD 37,244,880) is held under operating lease agreement.

Investment property has been pledged as security against credit facilities (Note 15).

10. SHARE CAPITAL

	Authorised, issued and fully paid	
	2012	2011
	KD	KD
384,462,560 share of 100 fils each paid in cash	**38,446,256**	38,446,256

11. STATUTORY RESERVE

As required by the Kuwait Law of Commercial Companies and the Parent Company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and board of directors' remuneration should be transferred to statutory reserve. No transfer has been made to statutory reserve, since losses have been incurred during the year.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

12. GENERAL RESERVE

As required by the Parent Company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and board of directors' remuneration should be transferred to general reserve. No transfer has been made to general reserve, since losses have been incurred during the year.

13. TREASURY SHARES

	2012	2011
Number of shares	**1,020,000**	1,020,000
Percentage of issued shares	**0.26%**	0.26%
Market value (KD)	**40,800**	31,620

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.

14. ACCOUNTS PAYABLE AND ACCRUALS

	2012 KD	2011 KD
Payable and retention to contractors	**1,503,407**	3,331,949
Accrued expenses	**622,880**	396,904
Payable towards acquisition of investment properties	**323,521**	323,521
Advances & refundable deposit	**361,222**	311,057
Other payables	**164,410**	180,244
	2,975,440	4,543,675

15. ISLAMIC FINANCING PAYABLES

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**

2011	Ijara KD	Tawaruq KD	Total KD
Gross amount	31,562,500	9,416,446	40,978,946
Less: deferred profit	(6,562,500)	(433,468)	(6,995,968)
	25,000,000	8,982,978	33,982,978

Ijara agreements represent sale and finance lease back agreements related to certain investment properties (Note 9) with maturity date of 5 years from the reporting date. Ijara agreements carry profit rate of 3% (2010: 3%) per annum over Central Bank of Kuwait discount rate.

16. 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 2012 and 2011, no options are outstanding, granted or exercised.

17. 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

Compensation of key management personnel is shown below

	2012 KD	2011 KD
Key management compensation		
Salaries and other short term benefits	**236,700**	231,075
Employees' end of service benefits	**37,600**	37,600
	274,300	268,675

18. 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 2012 the Group has contingent liabilities representing a letter of guarantee amounting to KD 4,833,000 (2011: KD 4,828,000) and from which it is anticipated that no material liability will arise.

19. 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.

19. SEGMENT INFORMATION (continued)

Year ended 31 December 2012	Real estate investing activities	Equities and other investing activities	Unallocated	Total
	KD	KD	KD	KD
Segment revenue	**1,974,333**	**-**	**-**	**1,974,333**
Segment results				
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)**
Realised loss on sale of financial assets carried at fair value through profit or loss	**-**	**(218,607)**	**-**	**(218,607)**
Realised 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**

Year ended 31 December 2011	Real estate investing activities	Equities and other investing activities	Unallocated	Total
	KD	KD	KD	KD
Segment revenue	1,897,782	-	-	1,897,782
Segment results				
Impairment loss on inventory properties	(19,114)	-	-	(19,114)
Unrealised loss from re-measurement of investment properties to fair value	(4,861,176)	-	-	(4,861,176)
Unrealised loss from financial assets carried at fair value through profit or loss	-	(565,259)	-	(565,259)
Realised gain on sale of financial assets carried at fair value through profit or loss	-	26,129	-	26,129
Realised gain on sale of financial assets available for sale	-	695,241	-	695,241
Impairment loss on financial assets available for sale	-	(1,540,045)	-	(1,540,045)
Loss on sale of an associate	-	(9,242)	-	(9,242)
Unallocated expenses - net	-	-	(1,360,744)	(1,360,744)
Segment loss	(3,198,565)	(1,393,176)	(1,360,744)	(5,952,485)
Segment assets	70,327,203	2,549,010	31,213	72,907,426
Segment liabilities	38,526,653	-	297,597	38,824,250

20. 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 make 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 Company, including bank balances and cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company 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 2012 KD	Gross maximum exposure 2011 KD
Cash and bank balances (excluding cash on hand)	**1,851,060**	3,705,342
Accounts receivables and prepayments	**286,628**	186,169
Total credit risk exposure	**2,137,688**	3,891,511

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:

20. RISK MANAGEMENT (continued)

	2012				2011			
	Banking and financial services	Construction and real estate	Other	Total	Banking and financial services	Construction and real estate	Other	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Kuwait	1,851,060	259,734	26,894	2,137,688	3,705,342	157,942	28,227	3,891,511

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 2012	Within 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
	KD	KD	KD	KD	KD	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

31 December 2011	Within 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
	KD	KD	KD	KD	KD	KD
LIABILITIES						
Accounts payable and accruals	-	-	4,543,675	-	-	4,543,675
Islamic financing payables	511,858	70,974	1,028,737	2,814,364	36,553,013	40,978,946
TOTAL LIABILITIES	511,858	70,974	5,572,412	2,814,364	36,553,013	45,522,621

20 RISK MANAGEMENT (continued)

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 15). Other than this the Group is dealing with Islamic financial institutions, hence is not exposed to profit rate risk on their facilities.

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 loss for the year KD
2012	**+/-1%**	**250,000**
2011	+/-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 Group'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:

	2012		2011	
Currency	**Change in currency rate in %**	**Effect on loss for the year KD**	Change in currency rate in %	Effect on loss for the year KD
USD	**+/-3%**	**157,808**	+/-3%	39,785

20 RISK MANAGEMENT (continued)

MARKET RISK (CONTINUED)

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 equity (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:

	2012			2011		
Market indices	**Change in equity price %**	**Effect on loss 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**	**3,807**	**12,459**	+/-5	33,000	8,459
GCC	**+/-5**	**3,948**	**-**	+/-5	3,948	-
Others	**+/-5**	**-**	**24,242**	+/-5	-	73,616

In respect of unquoted financial assets available for sale carried at cost (Note 8), the impact of changes in equity prices cannot be reliably determined due to unavailability of reliable fair value of these investments.

21. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business 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 2012 and 31 December 2011.

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, due to banks, accounts payable and accruals less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Parent Company.

	2012 **KD**	2011 KD
Accounts payable and accruals	**2,975,440**	4,543,675
Islamic financing payable	**33,855,797**	33,982,978
Less: Cash and balances with banks	**(1,852,453)**	(3,706,983)
Net debt	**34,978,784**	34,819,670
Equity	**32,781,154**	34,083,176
Total capital	**32,781,154**	34,083,176
Capital and net debt	**67,759,938**	68,902,846
Gearing ratio	**52%**	51%

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, receivables and investments. Financial liabilities consist of payables, Islamic financing payables and Islamic sukuk. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 8), are not significantly different from their carrying values at the consolidated statement of financial position date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

As at 31 December, the Group held the following financial instruments measured at fair value:

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**

As at 31 December 2011	Level 1 KD	Level 3 KD	Total KD
Financial assets at fair value through profit or loss	660,000	78,961	738,961
Financial assets available for sale	92,800	1,599,584	1,692,384
	752,800	1,678,545	2,431,345

During the year ended 31 December 2012, 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.

23. 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 investment in associates is based on management's estimate of liquidation of those financial assets.

The maturity profile of assets and liabilities is as follows:

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

23. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2011	Within 3 months	3 to 12 months	1 to 5 years	Total
	KD	KD	KD	KD
ASSETS				
Bank balances and cash	3,706,983	-	-	3,706,983
Accounts receivable and prepayments	-	186,169	-	186,169
Financial assets carried at fair value through profit or loss	-	738,961	-	738,961
Inventory properties	-	4,706,598	-	4,706,598
Financial assets available for sale	-	-	1,692,384	1,692,384
Investment properties	-	-	61,727,453	61,727,453
Investment in associates	-	-	117,665	117,665
Property and equipment	-	-	31,213	31,213
TOTAL ASSETS	3,706,983	5,631,728	63,568,715	72,907,426
LIABILITIES				
Accounts payable and accruals	-	4,543,675	-	4,543,675
Islamic financing payables	-	-	33,982,978	33,982,978
Employees' end of service benefits	-	-	297,597	297,597
TOTAL LIABILITIES	-	4,543,675	34,280,575	38,824,250