الشـــركة الخليجية المغاربية القابضـــة ش.م.ك.م

Gulf North Africa Holding Company k.s.c.c

Annual Report 2013

بسم الله الرحمن الرحيم

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H.H. Sheikh
Nawaf Al-Ahmed Al-Jaber Al-Sabah
Crown Prince of The State of Kuwait

H.H. Sheikh
Sabah Al-Ahmed Al-Jaber Al-Sabah
Amir of The State of Kuwait

BOARD MEMBERS

Talal Jassim Al-Kharafi

Chairman

Dr. Fuad Abdullah Al-Omar

Vice Chairman

BOARD MEMBERS


Soud Al-Osaimi
Member


Abdulrahman Hisham Al-Nesef
Member


Ahmed Eissa Al-Dosarri
Member


Shaya Al-Shaya
Member

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of my fellow members of the Board of Directors of the Gulf North Africa Holding Company, I am pleased to send you our regards and present to you the 8th Annual Report of the Company, highlighting the business operations and financial results for the year ending 31 December 2013.

Over the past 3 years, the Company has set its strategy on restructuring its investments and employing its resources to earn the best return on capital. This has achieved a year-on-year growth of revenues of 99% to reach KWD 803,852 compared with KWD 402,174 in 2012. Net profit has reached KWD 176,502 or 1.21 fils per share compared with a net loss of KWD (2,536,217) or (17.44) fils per share in 2012. Total assets have also appreciated by 4% year-on-year to reach KWD 21,904,958. Total Shareholders' Equity has reached KWD 14,371.681 with a book value of 95.8 fils per share.

The Company has continued to engage in the strategy laid out by the Board of Directors to report profitable annual financial results. During 2013, the Company invested in real estate income generating properties in the State of Kuwait, as well as purchasing lands in Riyadh and Al-Khobar in the Kingdom of Saudi Arabia with the aim of developing them into residential projects.

As for the Company's ongoing projects, development of Raghad Residential Villas project in the neighborhood of Mohammedia in the heart of Riyadh. Sale of the units was also achieved and the profit will be recorded in the 2014 financial year.

Due to the ongoing war in Syria and the current political and economic situation, all works remain on hold on the Casablanca project. The Company took several precautionary measures to protect the investor's best interest by putting into effect an emergency plan and taking relevant financial provisions. All official documentation has been transferred to Kuwait in the meantime, and the situation in Syria is currently under review in order to exit as soon as an opportunity permits.

Correspondingly, the Company is studying the best viable option to exit from Janzour Real Estate Project in Libya, given the unstable political and social environment in the country. The management is working on an exit plan, which will serve the best interest of the investors.

As for Dream Real Estate project in Morocco, the Company has worked on financing the development of the project either through local banks or strategic partners; however, the required financing facility was not attained. The Company is studying other options, which will serve the investors best interest.

In accordance to the Capital Markets Authority issued resolution No. 25 of year 2013, which sets the rules of corporate governance for the companies subject to CMA supervision, the Company has initiated working on complying to these rules by reviewing the Company's policy and procedures and organizational structure in order to meet the CMA's requirements. This will further protect and achieve a better balance between the Company's management, its shareholders and related parties.

In conclusion, on behalf of the members of the Board of Directors, I express my sincere appreciation and gratitude to His Highness the Emir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and His Highness the Prime Minister Sheikh Jaber Mubarak Al-Hamad Al-Sabah on their patronage and ongoing support for the Kuwaiti economy.

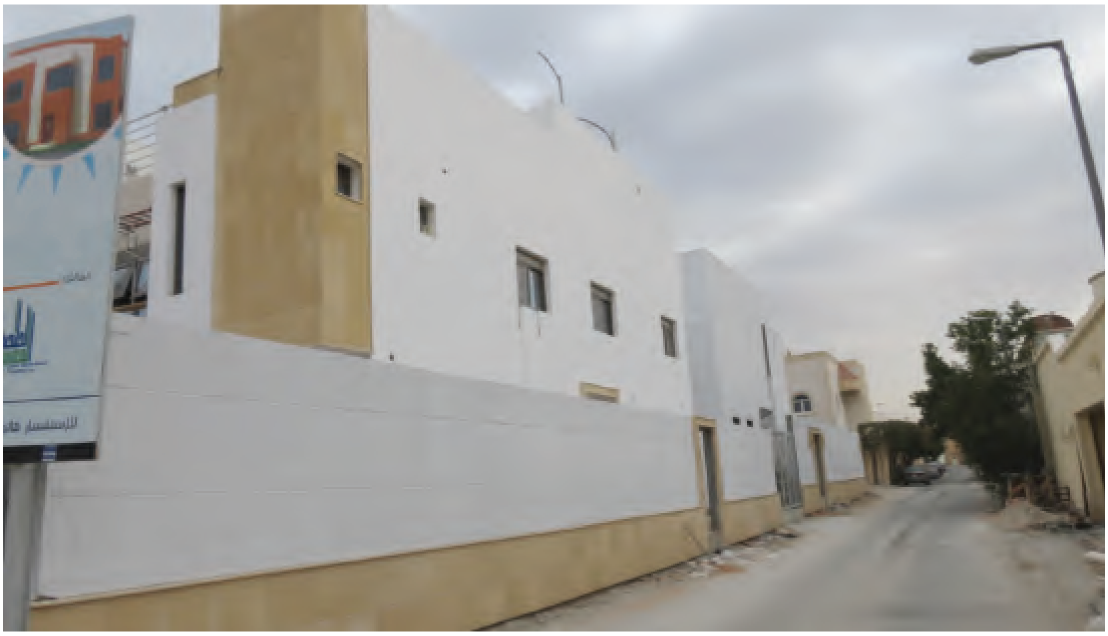
I would also like to thank all the employees of the Company for their substantial efforts in the Company's growth and the implementation of its adopted strategy. We also appreciate our shareholders and investors for their continued support for the activities of the company and their contribution to investments in these difficult circumstances, which contributed to the preservation of the company's assets and its financial position. We ask Allah for reconciliation and success.

Best Regards,

Talal Jassim Al-Kharafi
Chairman

CURRENT PROJECTS

Raghad Homes Project
Riyadh - Kingdom of Saudi Arabia
Gulf Moroccan Company



Given the high demand for residential units in the Saudi Arabian market, the Company has identified the country as an ideal target for its investment strategy. The project consists of developing 13 residential villas on a land area of 4,425 sqm in the neighborhood of Mohammedia, which lies in the heart of the capital, Riyadh. Each villa will have a final livable area of 316-450 sqm with total sellable area of 4,778 sqm.

The project is in collaboration with Shumool Real Estate Company, which is holding the role of the developer given its existence and experience in Saudi Arabia market. The project was delivered in January 2014 and the sales of the villas have commenced to interested end users in the KSA.

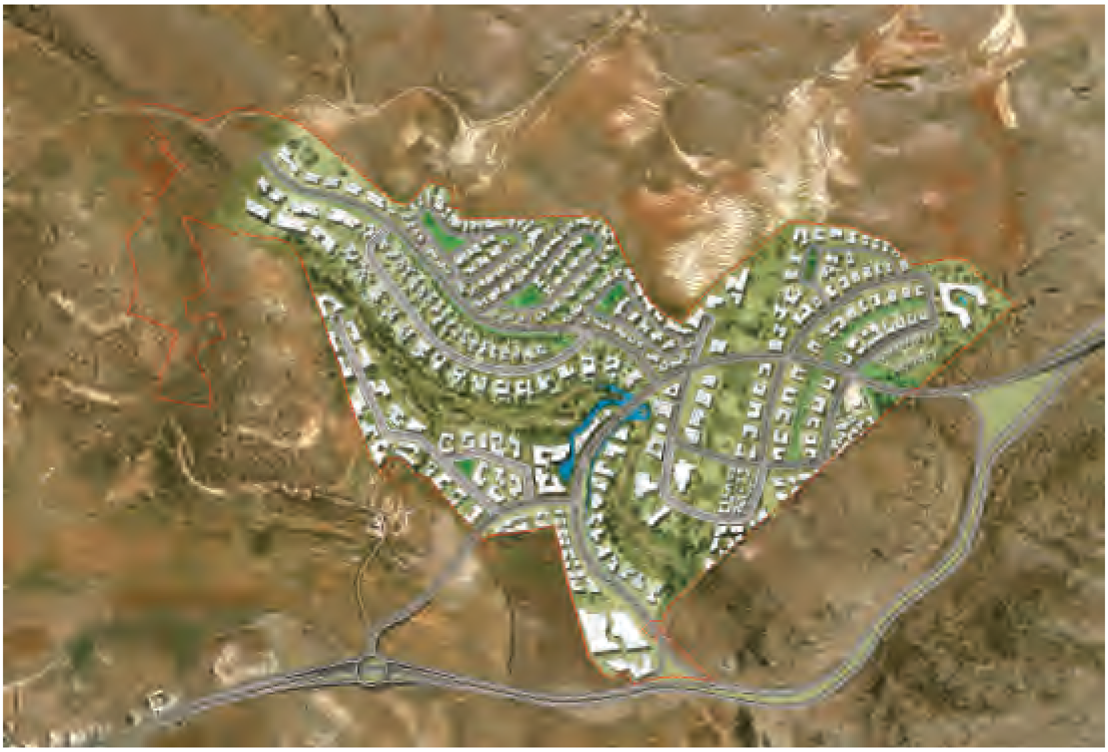
CURRENT PROJECTS

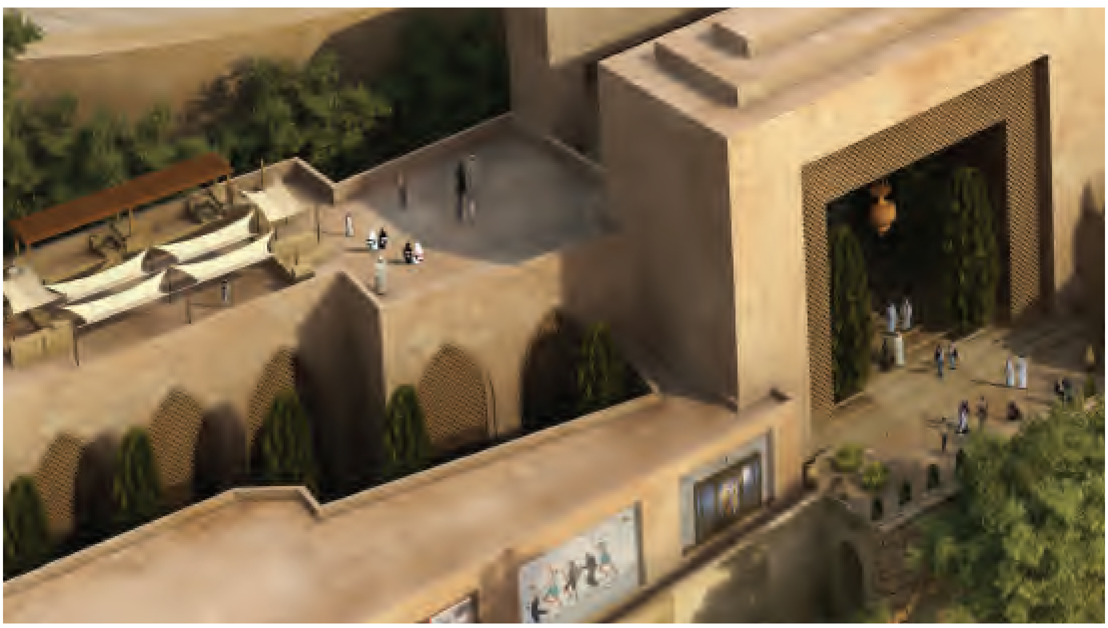
Bati Sehir Project
Istanbul - Turkey
Al Janzour Real Estate Company

After identifying the Turkish real estate market as a target for investments, the Company acquired a number of residential units in Bati Sehir Project, which is considered to be one of the largest mix-use developments in Europe – lying on a land area of 165,000 sqm with an expected 818,000 sqm of built up space upon completion. The gated community will include residential units, offices, a hotel, an educational complex, an open-air shopping center, gyms and 100,000 sqm of green areas. The developer is Ege Yapi, who is working with Government backed Emlak Konot and TOKI groups to deliver a total of 3,123 residential and commercial units by December 2014.

CURRENT PROJECTS

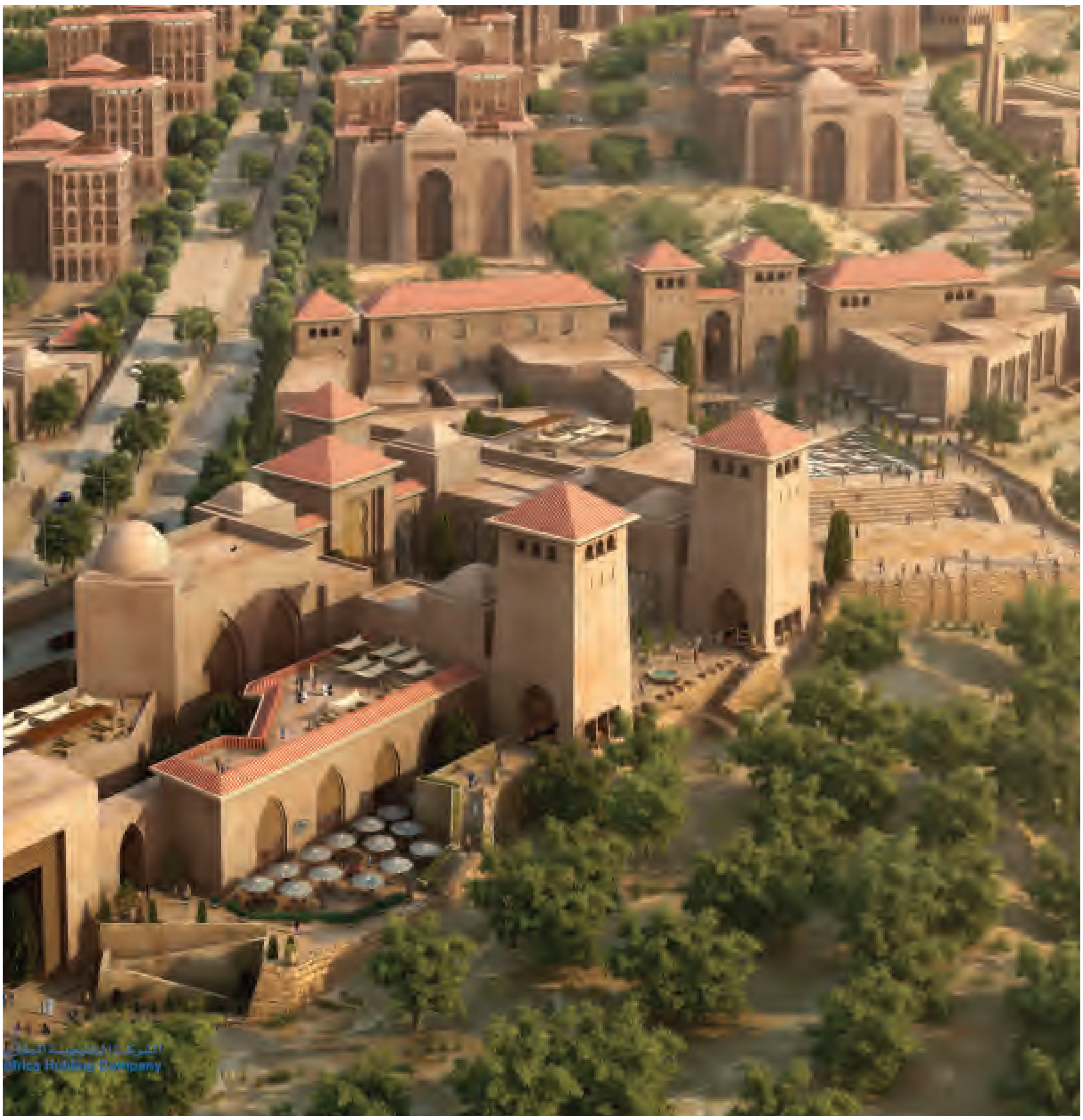
Casablanca Project
Syria
Al-Sham Gulf Co Limited





The project comprises of developing a land area of 1.39 million sqm in Yabous, which lies 38 km west of the capital, Damascus and only 2 km from the Lebanese borders. The development objective is to provide a multi-use community with residential, commercial, and retail services serving both residents and travelers accessing the Damascus-Beirut Highway.

All works towards the project in Syria have been suspended due to the difficult political and economic situations and the ongoing war in the country. Necessary safety measures have been taken along with a contingency plan which shall maintain the value of the project. The Company will continue to follow up the situation in Syria in an attempt to exit from the project as earliest as possible.

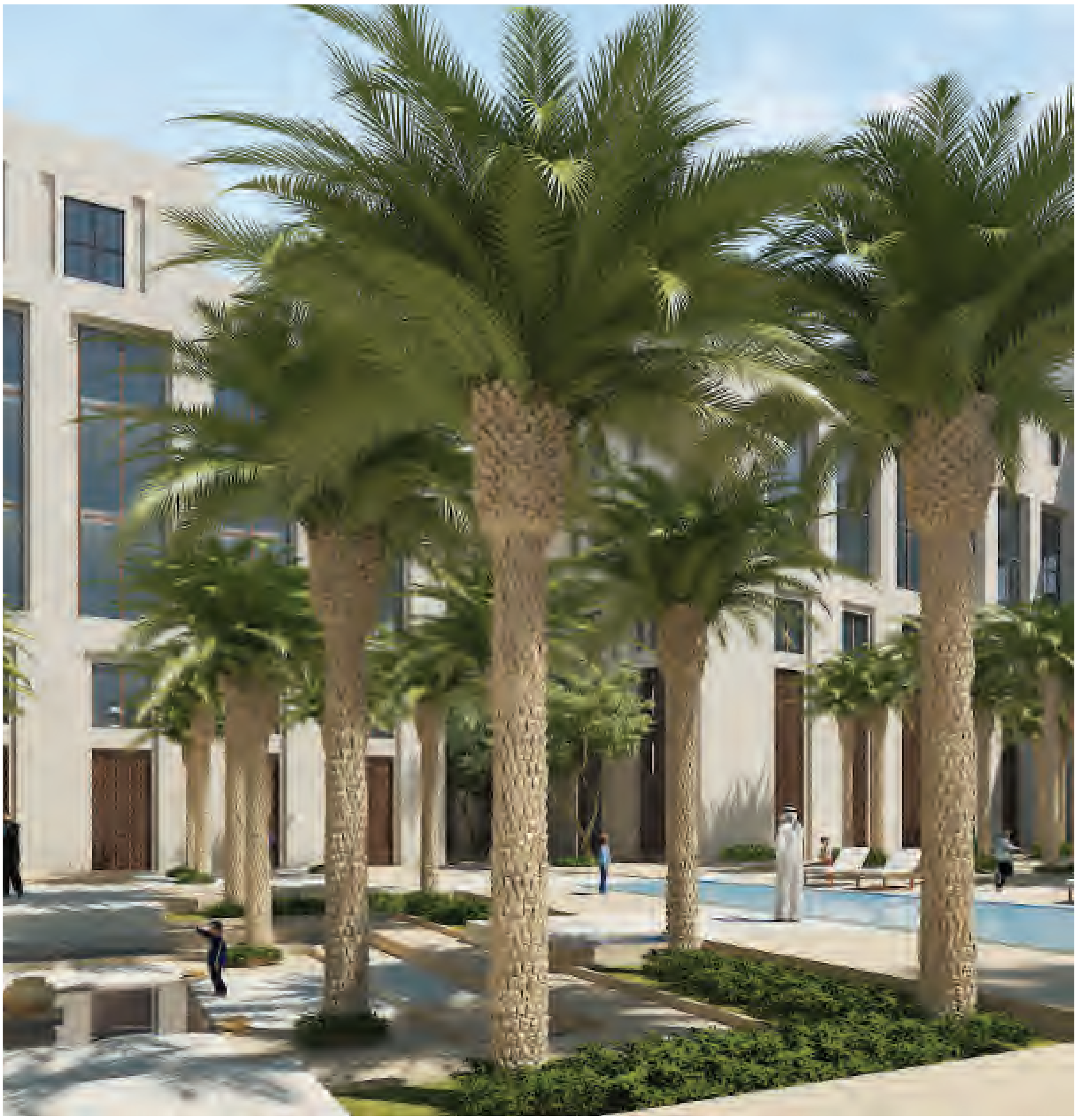


CURRENT PROJECTS

Janzour Project
Libya
Libyan General Trading Company

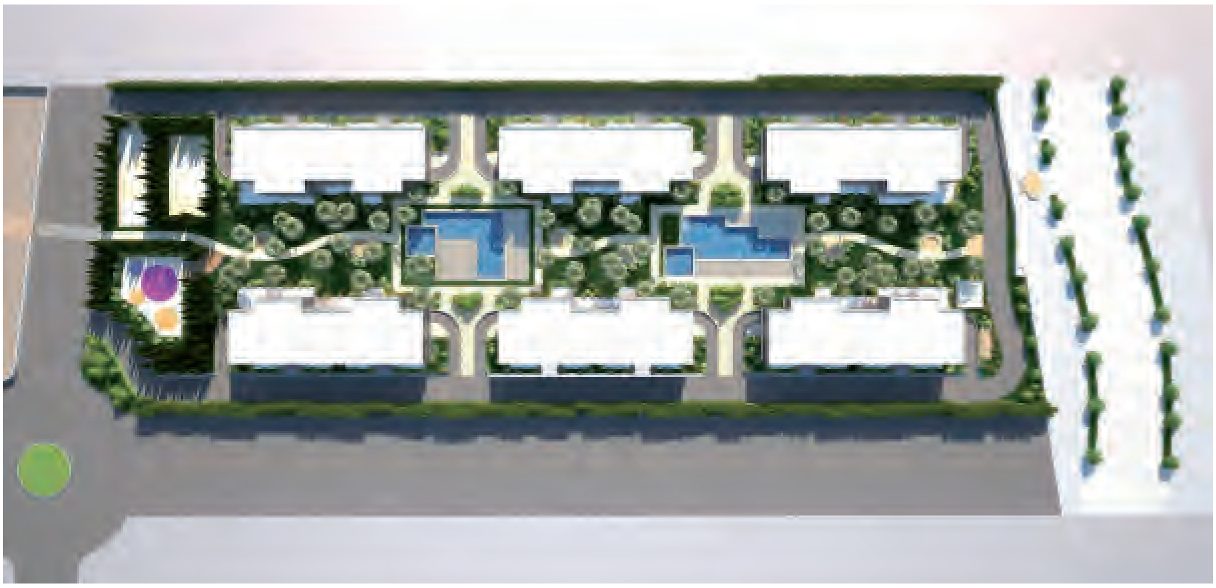
The project is a real estate development on a land plot of 17,575 sqm in the neighborhood of Janzour, which lies 16 km west of the heart of the capital, Tripoli. The development comprises of two office towers with residential and retail space.

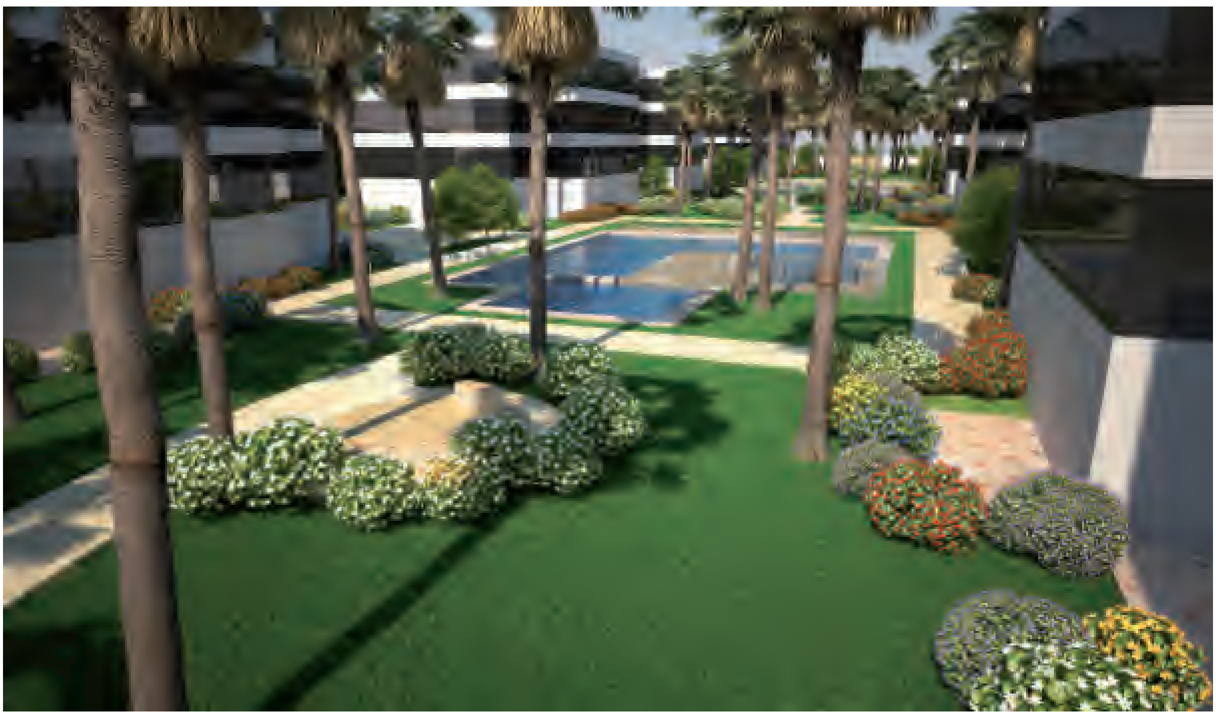
Since February 2011, construction works have been ceased due to the escalating civil war. According to the project plan the first option to exit is through sales of land. The company also took into consideration the Libyan market and redesigned the project accordingly as a second option, which delivers final components that are favorable to the current market conditions.



CURRENT PROJECTS

Dream Building Project
Bouznika - Morocco
Dream Building Company





The project idea revolves around developing a land area of 61,860 sqm in Bouznika, which lies between the cities of Casablanca and Rabat on the Atlantic Ocean into a touristic residential apartment compound with supporting amenities such as swimming pools, a fitness center and a hotel.

The global financial crisis and the late Arab Spring have brought challenges to delivering the project such as the decline in demand for secondary homes and the inability of local banks to provide a financing as per Islamic Sharia Law. The Company is studying the current market to begin development works through invitation of a new investor or by securing an Islamic finance facility. An option to sell the land is also under consideration.

THE SHARIA REPORT
OF GULF NORTH AFRICA HOLDING CO.

For the period from 01/01/2013 to 31/12/2013

To: The Shareholders of Gulf North Africa Holding Co.

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2013 to 31/12/2013. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the

Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2013 to 31/12/2013. and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.

Prof /Abdul Aziz k. Al-Qassar
Chairman of the Sharia Committee

Dr. Essa Zaki Essa

Shaira Committee Member

Dr. Ali Ibrahim Al-Rashed

Shaira Committee Member

AFFLIATE COMPANIES

Gulf North Africa Holding Company has established several companies, which continually help in carrying its businesses. These companies include:

Libyan General Trading Company

Al-Sham Gulf Holding Co.

Al-Sham Gulf Co. Limited

Moroccon North Africa Holding Co.

Al-Janzour Real Estate Co.

Al-Awras Gulf

Dream Building Co.

Gulf Moroccan Company

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Kuwait

Consolidated financial statements and Independent auditors' report

31 December 2013

Independent auditors' report

To the shareholders of
Gulf North Africa Holding Company – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf North Africa Holding Company – Kuwaiti Public Shareholding Company and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and by the Parent Company's memorandum and articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, nor of the Parent Company's memorandum and articles of association, have occurred during the financial year that might have had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton - Al-Qatami, Al-Aiban & Partners

Rabea Saad Al-Muhanna
(Licence No. 152-A)
of Horwath Al-Muhanna & Co

Consolidated statement of income

31 December 2013

	Notes	Year ended 31 Dec. 2013 KD	(Restated) Year ended 31 Dec. 2012 KD
Revenue			
Management fees		**49,134**	111,000
Rental income-net		**116,718**	83,523
Gain on sale of investment properties		**289,771**	-
Change in fair value of investment properties		**82,100**	
Profit on sale of investments at fair value through statement of income		**-**	137
Change in fair value of investments at fair value through statement of income		**(2,550)**	(2,354)
Gain on redemption/sale of available for sale investments		**231,053**	4,028
Share of results of associate	14	**(36,577)**	(28,498)
Dividend income		**41,825**	139,000
Foreign exchange loss		**(30,756)**	(15,676)
Profit from sukuks and other income		**63,134**	111,014
		803,852	402,174
Expenses and other charges			
General and administrative expenses	8	**(447,902)**	(497,096)
Depreciation	10	**(15,804)**	(16,309)
Finance cost		**(27,866)**	-
Impairment of available for sale investments	13	**(161,695)**	(314,885)
Impairment of property under development		**-**	(3,360,890)
Refund of fees		**-**	(1,250,000)
Provision for doubtful debts		**-**	(299,490)
		(653,267)	(5,738,670)
Profit/(loss) before NLST, ZAKAT and Directors' remuneration		**150,585**	(5,336,496)
Provision for National Labour Support Tax (NLST)		**(4,462)**	-
Provision for Zakat		**(1,785)**	-
Profit/(loss) for the year		**144,338**	(5,336,496)
Attributable to :			
Owners of the parent company		**176,502**	(2,536,217)
Non-controlling interests		**(32,164)**	(2,800,279)
Profit/(loss) for the year		**144,338**	(5,336,496)
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company	9	**1.21 Fils**	Fils (17.44)

The notes set out on pages 32 to 73 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

31 December 2013

	Year ended 31 Dec. 2013 KD	(Restated) Year ended 31 Dec. 2012 KD
Profit/(loss) for the year	**144,338**	(5,336,496)
Other comprehensive income:		
Items that will be reclassified subsequently to statement of income:		
Exchange differences arising on translation of foreign operations	**(45,755)**	383,047
Available for sale investments:		
- Net change in fair value arising during the year	**(241,483)**	(227,459)
- Transferred to consolidated statement of income on redemption/sale	**(127,021)**	6,892
- Transferred to consolidated statement of income on impairment	**161,695**	314,885
Total other comprehensive (loss)/ income for the year	**(252,564)**	477,365
Total comprehensive loss for the year	**(108,226)**	(4,859,131)
Total comprehensive income/(loss) attributable to:		
Owners of the parent company	**448,481**	(2,042,840)
Non-controlling interests	**(556,707)**	(2,816,291)
	(108,226)	(4,859,131)

Consolidated statement of financial position

31 December 2013

	Notes	31 Dec. 2013 KD	(Restated) 31 Dec. 2012 KD	(Restated) 1 Jan. 2012 KD
Assets				
Non-current assets				
Equipment	10	**13,582**	26,495	35,577
Investment properties	11	**1,890,000**	1,625,130	-
Properties under development	12	**11,458,771**	9,216,674	13,440,624
Available for sale investments	13	**4,004,706**	5,386,204	5,928,997
Investment in associate	14	**950,941**	987,518	1,029,668
		18,318,000	17,242,021	20,434,866
Current assets				
Due from related parties	15	**194,300**	228,964	563,060
Advance paid for purchase of investment property	16	**603,977**	259,842	-
Accounts receivable and other assets	17	**189,604**	336,045	346,048
Investments at fair value through statement of income		**48,310**	50,860	85,635
Cash and cash equivalents	18	**2,548,631**	2,864,382	4,634,830
		3,584,822	3,740,093	5,629,573
Total assets		**21,902,822**	20,982,114	26,064,439
Equity and liabilities				
Equity				
Share capital	19	**15,000,000**	15,000,000	15,000,000
Treasury shares	20	**(337,694)**	(337,694)	(336,659)
Statutory reserve	21	**751,821**	751,821	751,821
Voluntary reserve	21	**751,821**	751,821	751,821
Foreign currency translation reserve		**918,592**	439,804	40,745
Fair value reserve		**(227,139)**	(20,330)	(114,648)
Accumulated losses		**(2,485,720)**	(2,662,222)	(126,005)
Total equity attributable to the owners of the parent company		**14,371,681**	13,923,200	15,967,075
Non-controlling interests	7.3	**6,246,143**	6,802,850	9,619,141
Total equity		**20,617,824**	20,726,050	25,586,216
Liabilities				
Non-current liabilities				
Provision for employees' end of service benefits		**24,902**	29,187	38,659
Current liabilities				
Due to related parties	15	**110,498**	109,756	118,577
Ijara financing	23	**895,000**	-	-
Advances from customers		**71,565**	-	
Accounts payable and other liabilities	22	**183,033**	117,121	320,987
		1,260,096	226,877	439,564
Total liabilities		**1,284,998**	256,064	478,223
Total equity and liabilities		**21,902,822**	20,982,114	26,064,439

Dr. Fouad Abdulla A Omar
Vice Chairman

Abdul Aziz Jassim Al-Failakawi
Chief Executive Officer

The notes set out on pages 32 to 73 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

31 December 2013

	Equity attributable to the owners of the parent company								Non-controlling interests	Total
	Share capital	**Treasury shares**	Legal reserve	**Voluntary reserve**	**Foreign currency translation reserve**	**Fair value reserve**	**Accumulated losses**	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2013 (as previously reported)	15,000,000	(337,694)	751,821	751,821	(84,791)	(20,330)	(3,169,794)	12,891,033	-	12,891,033
Effect of IFRS 10 adoption (see note 7)	-	-	-	-	524,595	-	507,572	1,032,167	6,802,850	7,835,017
Balance at 1 January 2013 (restated)	**15,000,000**	**(337,694)**	**751,821**	**751,821**	**439,804**	**(20,330)**	**(2,662,222)**	**13,923,200**	**6,802,850**	**20,726,050**
Profit for the year	-	-	-	-	-	-	176,502	176,502	(32,164)	144,338
Other comprehensive income/(loss):										
Exchange differences arising on translation of foreign operations	-	-	-	-	478,788	-	-	478,788	(524,543)	(45,755)
Available for sale investments:										
- Net change in fair value arising during the year	-	-	-	-	-	(241,483)	-	(241,483)	-	(241,483)
- Transferred to consolidated statement of income on redemption/sale	-	-	-	-	-	(127,021)	-	(127,021)	-	(127,021)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	161,695	-	161,695	-	161,695
Total comprehensive income /(loss) for the year	-	-	-	-	478,788	(206,809)	176,502	448,481	(556,707)	(108,226)
Balance at 31 December 2013	**15,000,000**	**(337,694)**	**751,821**	**751,821**	**918,592**	**(227,139)**	**(2,485,720)**	**14,371,681**	**6,246,143**	**20,617,824**

The notes set out on pages 32 to 73 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

31 December 2013

	Equity attributable to the owners of the parent company								Non-controlling interests	Total
	Share capital	**Treasury shares**	**Legal reserve**	**Voluntary reserve**	**Foreign currency translation reserve**	**Fair value reserve**	**Accumulated losses**	**Sub-total**		
	KD	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**
Balance at 1 January 2012 (as previously reported)	15,000,000	(336,659)	751,821	751,821	(179,673)	(114,648)	(39,422)	15,833,240	-	15,833,240
Effect of IFRS 10 adoption (see note 7)	-	-	-	-	220,418	-	(86,583)	133,835	9,619,141	9,752,976
Balance at 1 January 2012 (restated)	15,000,000	(336,659)	751,821	751,821	40,745	(114,648)	(126,005)	15,967,075	9,619,141	25,586,216
Purchase of treasury shares	-	(1,035)	-	-	-	-	-	(1,035)	-	(1,035)
Transactions with owners	-	(1,035)	-	-	-	-	-	(1,035)	-	(1,035)
Profit for the year	-	-	-	-	-	-	(2,536,217)	(2,536,217)	(2,800,279)	(5,336,496)
Other comprehensive income/(loss):										
Exchange differences arising on translation of foreign operations	-	-	-	-	399,059	-	-	399,059	(16,012)	383,047
Available for sale investments:										
- Net change in fair value arising during the year	-	-	-	-	-	(227,459)	-	(227,459)	-	(227,459)
- Transferred to consolidated statement of income on redemption/sale	-	-	-	-	-	6,892	-	6,892	-	6,892
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	314,885	-	314,885	-	314,885
Total comprehensive income /(loss) for the year	-	-	-	-	399,059	94,318	(2,536,217)	(2,042,840)	(2,816,291)	(4,859,131)
Balance at 31 December 2012 (restated)	15,000,000	(337,694)	751,821	751,821	439,804	(20,330)	(2,662,222)	13,923,200	6,802,850	20,726,050

The notes set out on pages 32 to 73 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

31 December 2013

	Notes	Year ended 31 Dec. 2013 KD	(Restated) Year ended 31 Dec. 2012 KD
OPERATING ACTIVITIES			
Profit/(loss) for the year		**144,338**	(5,336,496)
Adjustments for:			
Depreciation		**15,804**	16,309
Dividend income		**(41,825)**	(139,000)
Profit on sale of investment properties		**(289,771)**	-
Change in fair value of investment properties		**(82,100)**	-
Gain on redemption /sale of available for sale investments		**(231,053)**	(4,028)
Realised profit on sale of financial assets at fair value through statement of income		-	(137)
Gain on disposal of equipment		-	(109)
Impairment of financial assets available for sale		**161,695**	314,885
Share of results of associate		**36,577**	28,498
Provision for employees' end of service benefits		**11,040**	10,303
Refund of fees		-	1,250,000
Provision for bad debts		-	299,490
Impairment of property under development		-	3,360,890
		(275,295)	(199,395)
Changes in operating assets and liabilities:			
Due from related parties		**34,664**	334,096
Accounts receivable and other assets		**146,441**	(150,487)
Advance paid for purchase of investment property		**(344,135)**	(259,842)
Investments at fair value through statement of income		**2,550**	34,912
Advances from customers		**71,565**	-
Due to related parties		**742**	(8,821)
Accounts payable and other liabilities		**74,137**	(150,616)
Cash used in operations		**(289,331)**	(400,153)
Employees' end of service benefits paid		**(15,325)**	(19,775)
Net cash used in operating activities		**(304,656)**	(419,928)
INVESTING ACTIVITIES			
Proceeds from redemption/sale of available for sale investments		**1,244,047**	882,145
Purchase of available for sale investments		-	(555,891)
Property under development		**(3,119,832)**	(12,731)
Purchase of investment property		**(1,807,900)**	(1,625,130)
Proceeds from sale of investment property and property under development		**2,726,158**	-
Purchase of equipment	10	**(2,891)**	(7,300)
Proceeds from disposal of equipment		-	170
Dividend income received		**41,825**	-
Dividend received from associate		-	13,652
Net cash used in investing activities		**(918,593)**	(1,305,085)
FINANCING ACTIVITIES			
Ijara financing		**895,000**	-
Dividend paid		**(8,225)**	(53,250)
Purchase of treasury shares		-	(1,035)
Net cash used in financing activities		**886,775**	(54,285)
Net impact of foreign currency translation adjustments		**20,723**	8,850
Decrease in cash and cash equivalents		**(315,751)**	(1,770,448)
Cash and cash equivalents at the beginning of the year	18	**2,864,382**	4,634,830
Cash and cash equivalents at the end of the year	18	**2,548,631**	2,864,382

The notes set out on pages 32 to 73 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Incorporation and activities

Gulf North Africa Holding Co. – KPSC (the Parent Company) was incorporated on 3 December 2005 as a Kuwaiti Public Shareholding Company. The General Assembly meeting for establishment of the Parent Company was held at the Ministry of Commerce and Industry on 14 December 2005. The Parent Company's shares were listed on the Kuwait Stock Exchange on 23 March 2010.

The Group comprises the Parent Company and its subsidiaries ("the Group") (See note 7). The main activities of the Group are owning and investing in other companies, providing loans and advances to those companies, holding trademarks, licenses or other rights, owning necessary properties and other assets incidental to activities of the Group and investing in portfolios.

In all cases, the Parent Company is governed in all its activities by Islamic Sharia'a and all activities which are in compliance of Islamic Sharia'a board are obligatory to the Parent Company.

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. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013. On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

The address of the Parent Company's registered office is PO Box 4425, Safat 13045, State of Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2013 were authorised for issue by the Parent Company's board of directors on 30 April 2014 and are subject to the approval of the General Assembly of the shareholders.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for financial assets at fair value through statement of income, financial assets available for sale and investment property that have been measured at fair value.

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

3. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

4. Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except as discussed below:

Notes to the consolidated financial statements

4. Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRS during the period:

Standard or Interpretation	Effective for annual periods beginning
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements - Revised as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates - Revised as IAS 28 Investments – Associates and Joint Venture	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Annual Improvements 2009-2011	1 January 2013

4.1.1 IAS 1 Presentation of Financial Statements- amendment

The Group has adopted the amendment to IAS 1 which requires entities to group other comprehensive income items presented in the consolidated statement of comprehensive income based on those:

a. Potentially reclassifiable to consolidated statement of income in a subsequent period, and

b. That will not be reclassified to consolidated statement of income subsequently

The Group has made this disclosure in the statement of comprehensive income.

4.1.2 IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements

As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

4.1.3 IAS 28 Investments in Associates – Revised as IAS 28 Investments in Associates and Joint Ventures

As a result of the consequential amendments, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

4.1.4 IFRS 7 Financial Instruments: Disclosures – Amendments

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The required disclosures are required to be provided retrospectively.

The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

Notes to the consolidated financial statements

4. Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

4.1.5 IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements. It revised the definition of control together with accompanying guidance to identify an interest in subsidiary. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same. The management of the Group has reassessed its involvement in certain entities in accordance with IFRS 10 revised control definition and guidance. The effects and basis of application of IFRS 10 are disclosed in Note 7.

Comparative amounts for 2012 and the related amounts as of 1 January 2012 have been restated in accordance with transitional provisions set out in IFRS 10.

4.1.6 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Note 14 illustrates` the application of IFRS 12 in the current year.

4.1.7 IFRS 13 Fair Value Measurement

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

The Group has applied IFRS 13 for the first time in the current year, (See note 29).

4.1.8 Annual Improvements 2009-2011

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarised below:

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Notes to the consolidated financial statements

4. Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

4.1.8 Annual Improvements 2009-2011 (continued)

Segment information for total assets and liabilities:

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The adoption of the above amendments did not have any significant impact on the financial position or performance of the Group.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

4.2.1 IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these amendments.

4.2.2 IAS 36 Impairment of Assets- Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014.

4.2.3 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities, and hedge accounting have been issued. Chapter dealing with impairment methodology is still being developed. The effective date for the entire standard will be determined after completion of the new impairment model.

Notes to the consolidated financial statements

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

4.2.3 IFRS 9 Financial Instruments (continued)

Further, in November 2013, the IASB made limited modifications to IFRS 9's financial asset classification model to address application issues.

The Group's management has yet to assess the impact of this new standard on the Group's consolidated financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

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

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.

Management does not anticipate a material impact on the Group's consolidated financial statements.

4.2.5 Annual Improvements to IFRSs 2010–2012 Cycle (Effective date 1 July 2014, with earlier application permitted):

i. Amendments to IFRS 3-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of income.

ii. Amendments to IFRS 13- the addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

iii. Amendments to IFRS 8-Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

iv. Amendments to IAS 16 and IAS 38- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

v. Amendments to IAS 24- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

4.2.6 Annual Improvements to IFRSs 2011–2013 Cycle (Effective date 1 July 2014, with earlier application permitted):

i. Amendments to IFRS 1-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective

- IFRSs that have been issued but are not yet effective, that permits early adoption

The same version of each IFRS must be applied to all periods presented.

ii. Amendments to IFRS 3- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.

Notes to the consolidated financial statements

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

iii. Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

iv. Amendments to IAS 40- the amendment emphasises that whether the acquisition of an investment property is a business combination requires judgement of the specific requirements of IFRS 3, independently from the requirements of IAS 40, including whether the investment property is owner occupied.

5. Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The Group controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of income.

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

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.2 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 payment is made. Revenue arises from the rendering of the services and it is measured by reference to fair value of consideration received or receivable. The Group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.2.1 Management fees

Management fees are recognised in proportion to the stage of completion of the transaction at reporting date.

5.2.2 Dividend income

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

5.2.3 Rental income

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

5.3 Operating expenses

Operating expenses are recognised in consolidated statement of income upon utilisation of the service or at the date of their origin.

5.4 Taxation

5.4.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.4.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5. Significant accounting policies (continued)

5.4.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

For the year ended 31 December 2013 and 31 December 2012, the Group has no liability towards KFAS due to carry forward losses. Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior years is permitted.

5.4.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.5 Segment reporting

The Group has two operating segments: local and international segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.6 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.6 Business combinations (continued)

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum

calculated above, the excess amount (ie gain on a bargain purchase) is recognised in consolidated statement of income immediately.

5.7 Equipment

Equipment (comprising furniture and fixtures and computers) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of equipment. The following useful lives are applied:

- Furniture and fixtures: 5 years
- Computers: 2 - 5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of income.

5.8 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are revalued annually and are included in the statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in consolidated statement of income within change in fair value of investment property.

Transfers are made to or from investment property 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 company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.9 Properties under development

Properties under development represent properties held for future use as investment properties and are initially measured at cost. Subsequently, Properties under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of income.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

5.10 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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

5.11 Financial instruments

5.11.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through statement of income which are measured initially at fair value.

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

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.1 Recognition, initial measurement and derecognition (continued)

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights 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 risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 consolidated statement of income.

5.11.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through statement of income (FVTSI)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTSI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

- **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 recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

- **Loans and receivables (continued)**

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.2 Classification and subsequent measurement of financial assets (continued)

The Group categorises loans and receivables into following categories:

- **Accounts receivable and other assets**

Receivables are stated at original invoice amount based on contractual agreement less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, saving accounts and murabaha investments that are readily convertible into know amounts of cash which are subject to an insignificant risk of changes in value.

- ***Financial assets at* FVTSI**

Classification of investments as financial assets at FVTSI depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are as designated at FVTSI upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- **AFS financial assets**

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of income. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in consolidated statement of income. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to consolidated statement of income and presented as a reclassification adjustment within other comprehensive income.

The Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of income.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of income only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include accounts payable and other liabilities, amount due to related parties and Ijara financing.

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

- **Accounts payable and other liabilities**

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

- **Ijara financing**

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. The Ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

5.12 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.13 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of 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.

5.15 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.

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.16 Impairment testing of non financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.17 Equity, reserves and dividend payments

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies Law and the Parent Company's articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Kuwaiti Dinars.
- Fair value reserve – comprises gains and losses relating to available for sale investments.

Accumulated losses include all current and prior period retained profit/(losses). All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in accounts payable and other liabilities when the dividends have been approved in a general meeting.

5.18 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.19 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 in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.20 Foreign currency translation

5.20.1 Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.20.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of income. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.20.3 Foreign operations

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

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to consolidated statement of income and are recognised as part of the gain or loss on disposal.

5.21 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.21 Provisions, contingent assets and contingent liabilities (continued)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

5.22 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are approved by management.

6. Critical accounting judgements and key sources of estimation uncertainty

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

6.1 Significant management judgments

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through statement of income depends on how management monitors the performance of these financial assets. 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 consolidated statement of income in the management accounts, they are classified as fair value through statement of income.

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

Notes to the consolidated financial statements

6. Critical accounting judgements and key sources of estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.2 Classification of real estate

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

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

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

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

6.1.3 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of 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 consolidated statement of income.

6.2.2 Impairment of available for sale equity investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

6.2.3 Impairment of receivables

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

Notes to the consolidated financial statements

6. Critical accounting judgements and key sources of estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.4 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.5 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

7. Subsidiaries

7.1 Composition of the Group

Set out below details of the subsidiaries held by the Group:

	Country of incorporation	Voting capital held		Activities
			(Restated)	
		31 Dec. 2013	31 Dec. 2012	
Morocco Mediterranean General Trading WLL	Kuwait	**99%**	99%	Real estate
Al-Janzour General Trading WLL	Kuwait	**99%**	99%	Real estate
Gulf Morocco Co. W.L.L.	Saudi Arabia	**100%**	100%	Real estate
Casablanca Real Estate Co. Ltd	Cayman Islands	**25.74%**	25.74%	Real estate
Dream Real Estate Co. Ltd	Cayman Islands	**27.09%**	27.09%	Real estate
SARL EL Awras El Khalijia Promotion Immo	Algeria	**100%**	100%	Real estate
Morocco North Africa Holding Company Ltd.	Morocco	**100%**	100%	Real estate

During the year, as a result of restructuring of the Group, the 100% ownerships of Al Sham Gulf Holding and Al Sham Gulf Company Limited were transferred to Casablanca Real Estate Company. No gain or loss resulted as a result of the transfers. The Group now consolidates Casablanca Real Estate, which was previously classified as an available for sale investment (see 7.2 below).

Notes to the consolidated financial statements

7. Subsidiaries (continued)

7.2 Significant judgments and assumptions

The following subsidiaries were consolidated by the Group as a result of implementation of IFRS 10 Consolidated Financial Statements:

Company name	Country of incorporation	Voting capital held	Purpose
Casablanca Real Estate Co. Ltd	Cayman Islands	25.74%	Real Estate Services
Dream Real Estate Co. Ltd	Cayman Islands	27.09%	Real Estate Services

The Group considers that it controls the above mentioned companies even though it owns less than 50% of the voting rights. This is because the Group has significant equity shares in these companies and exercise control over these companies through contractual arrangement. When determining control, management considered whether the Group has the practical ability to direct the relevant activities of these companies on its own to generate returns for itself. Management concluded that it has the power based on its ability to appoint and remove the majority of the Board of Directors at any time, without restrictions. The Group, therefore, accounts for these investments as subsidiaries, consolidating their financial results for the reporting period.

Casablanca Real Estate Co. Ltd and Dream Real Estate Co. Ltd were previously classified as available for sale investments under IAS 39. These investments were fair valued at the date of reclassification which did not result in gain or loss. Further, no goodwill or bargain purchase resulted as a result of business combinations.

The total assets and liabilities of these subsidiaries were as follows:

Company name	**As of 31 December 2013**			As of 31 December 2012		
	Total assets KD 000	**Total liabilities KD 000**	**Net assets KD 000**	Total assets KD 000	Total liabilities KD 000	Net assets KD 000
Casablanca Real Estate Ltd	**4,180**	**1,998**	**2,182**	4,237	1,364	2,873
Dream Real Estate Co. Ltd	**6,323**	**118**	**6,205**	6,383	117	6,266
	10,503	**2,116**	**8,387**	10,620	1,481	9,139

The opening balances at 1 January 2012 and comparative information for the year ended 31 December 2012 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is provided below:

Notes to the consolidated financial statements

7. Subsidiaries (continued)

7.2 Significant judgments and assumptions (continued)

Consolidated statement of income:

	Year ended 31 Dec. 2012 (As previously reported) KD	Year ended 31 Dec. 2012 (Restated) KD
Foreign exchange loss	**(71,763)**	(15,676)
Profit from sukuks and other income	**102,453**	111,014
General and administrative expenses	**(376,852)**	(497,096)
Impairment of available for sale investments	**(1,085,597)**	(314,885)
Impairment of property under development	**-**	(3,360,890)
Bad debts written off	**(18,783)**	-
Provision for doubtful debts	**(720,357)**	(299,490)
Loss for the year	**(3,130,372)**	(5,336,496)
Attributable to :		
Owners of the parent company	**(3,130,372)**	(2,536,217)
Non-controlling interests	**-**	(2,800,279)
	(3,130,372)	(5,336,496)

The loss per share attributable to the owners of the Parent Company decreased by 4.08 fils due to the restatement of loss for the year ended 31 December 2012.

Consolidated statement of comprehensive income:

	Year ended 31 Dec. 2012 (as previously reported) KD	Year ended 31 Dec. 2012 (Restated) KD
Loss for the year	**(3,130,372)**	(5,336,496)
Exchange differences arising on translation of foreign operations	**94,882**	383,047
Available for sale investments:		
- Net change in fair value arising during the year	**(998,171)**	(227,459)
- Transferred to consolidated statement of income on impairment	**1,085,597**	314,885
Total other comprehensive income for the year	**189,200**	477,365
Total comprehensive loss for the year	**(2,941,172)**	(4,859,131)
Total comprehensive income attributable to:		
Owners of the parent company	**(2,941,172)**	(2,042,840)
Non-controlling interests	**-**	(2,816,291)
	(2,941,172)	(4,859,131)

Notes to the consolidated financial statements

7. Subsidiaries (continued)

7.2 Significant judgments and assumptions (continued)

Consolidated statement of financial position

	31 Dec. 2012 (as previously reported) KD	31 Dec. 2012 (Restated) KD
Properties under development	-	9,216,674
Available for sale investments	8,001,023	5,386,204
Due from related parties	172,733	228,964
Accounts receivable and other assets	219,959	336,045
Cash and cash equivalents	2,308,404	2,864,382
Due to related parties	652,824	109,756
Accounts payable and other liabilities	78,920	117,121
Foreign currency translation reserve	(84,791)	439,804
Accumulated losses	(3,169,794)	(2,662,222)
Non-controlling interests	-	6,802,850

Consolidated statement of financial position

	1 Jan. 2012 (as previously reported) KD	1 Jan. 2012 (Restated) KD
Properties under development	-	13,440,624
Available for sale investments	9,314,528	5,928,997
Due from related parties	1,424,538	563,060
Accounts receivable and other assets	117,345	346,048
Cash and cash equivalents	4,012,950	4,634,830
Due to related parties	2,136	118,577
Accounts payable and other liabilities	146,207	320,987
Foreign currency translation reserve	(179,673)	40,745
Accumulated losses	(39,422)	(126,005)
Non-controlling interests	-	9,619,141

Notes to the consolidated financial statements

7. Subsidiaries (continued)

7.3 Subsidiaries with material non-controlling interests

The Group includes the following subsidiaries with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit (loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2013	31 Dec. 2012	**31 Dec. 2013 KD**	31 Dec. 2012 KD	**31 Dec. 2013 KD**	31 Dec. 2012 KD
Casablanca Real Estate Co. Ltd	**74.26%**	74.26%	**(9,839)**	(2,770,794)	1,620,561	2,132,930
Dream Real Estate Co. Ltd	**72.91%**	72.91%	**(16,493)**	(20,449)	4,249,743	4,294,838

No dividends were paid to the NCI during the years 2013 and 2012.

a. Casablanca Real Estate Co. Ltd

Summarised consolidated financial information of Casablanca Real Estate Co. Ltd, before intragroup eliminations, is set out below:

	31 December 2013 KD	31 December 2012 KD
Non-current assets	**4,037,012**	4,089,096
Current assets	**143,466**	147,547
Total assets	**4,180,478**	4,236,643
Current liabilities	**1,998,199**	1,364,397
Total liabilities	**1,998,199**	1,364,397
Total equity attributable to the owners of the parent company	**561,718**	739,316
Non-controlling interests	**1,620,561**	2,132,930

Notes to the consolidated financial statements

7. Subsidiaries (continued)

7.3 Subsidiaries with material non-controlling interests (continued)

	Year ended 31 December 2013 KD	Year ended 31 December 2012 KD
Loss for the year attributable to the owners of the parent company	**(3,410)**	(960,412)
Loss for the year attributable to NCI	**(9,839)**	(2,770,794)
Loss for the year	**(13,249)**	(3,731,206)
Other comprehensive loss for the year attributable to the owners of the parent company	**(174,187)**	(60,617)
Other comprehensive loss for the year attributable to NCI	**(502,530)**	(174,879)
Total other comprehensive loss for the year	**(676,717)**	(235,496)
Total comprehensive loss for the year attributable to the owners of the parent company	**(177,597)**	(1,021,029)
Total comprehensive loss for the year attributable to NCI	**(512,369)**	(2,945,673)
Total comprehensive loss for the year	**(689,966)**	(3,966,702)

	Year ended 31 December 2013 KD	Year ended 31 December 2012 KD
Net cash flow from operating activities	**(1,145)**	421,695
Net cash flow from investing activities	**-**	(10,333)
Net cash inflow	**(1,145)**	411,362

b. Dream Real Estate Co. Ltd

Summarised consolidated financial information of Dream Real Estate Co. Ltd, before intragroup eliminations, is set out below:

	31 December 2013 KD	31 December 2012 KD
Non-current assets	**5,112,506**	5,127,578
Current assets	**1,210,346**	1,255,576
Total assets	**6,322,852**	6,383,154
Current liabilities	**494,100**	492,553
Total liabilities	**494,100**	492,553
Total equity attributable to the owners of the parent company	**1,579,009**	1,595,763
Non-controlling interests	**4,249,743**	4,294,838

Notes to the consolidated financial statements

7. Subsidiaries (continued)

7.3 Subsidiaries with material non-controlling interests (continued)

	Year ended 31 December 2013 KD	Year ended 31 December 2012 KD
Loss for the year attributable to the owners of the parent company	**(6,128)**	(7,598)
Loss for the year attributable to NCI	**(16,494)**	(20,449)
Loss for the year	**(22,622)**	(28,047)
Other comprehensive (loss)/income for the year attributable to the owners of the parent company	**(10,627)**	50,909
Other comprehensive (loss)/income for the year attributable to NCI	**(28,602)**	137,016
Total other comprehensive (loss)/income for the year	**(39,229)**	187,925
Total comprehensive income for the year attributable to the owners of the parent company	**(16,755)**	43,311
Total comprehensive (loss)/income for the year attributable to NCI	**(45,096)**	116,567
Total comprehensive (loss)/ income for the year	**(61,851)**	159,878

	Year ended 31 December 2013 KD	Year ended 31 December 2012 KD
Net cash flow from operating activities	**(35,122)**	(79,938)
Net cash flow from investing activities	**-**	(54,367)
Net cash inflow	**(35,122)**	(134,305)

7.4 Interests in unconsolidated structured entities

The Group has no interests in unconsolidated structured entities

8. General and administrative expenses

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 (Restated) KD
Staff cost	**277,131**	254,135
Administrative expenses	**170,771**	242,961
	447,902	497,096

Notes to the consolidated financial statements

9. Basic and diluted earnings/(loss) per share attributable to owners of the parent company

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to the owners of the parent company by the weighted average number of shares in issue excluding treasury shares.

	Year ended 31 Dec. 2013	Year ended 31 Dec. 2012 (Restated)
Profit/(loss) for the year attributable to the owners of the parent company (KD)	**176,502**	(2,536,217)
Weighted average number of shares (excluding treasury shares)	**145,435,452**	145,435,452
Basic and diluted earnings/(loss) per share	**1.21 Fils**	Fils (17.44)

The following table summarises the aggregate effect of IFRS 10 adoption on the basic and diluted loss per share.

	Year ended 31 Dec.2012 (Restated)	
	Decrease in loss attributable to the owners of the Parent Company KD	**Decrease in basic and diluted loss per share Fils**
Adoption of IFRS 10	**594,155**	4.08

10. Equipment

	Furniture & fixtures KD	Computers KD	Total KD
31 December 2013:			
Cost			
At 1 January	72,397	16,181	88,578
Additions	180	2,711	2,891
At 31 December	72,577	18,892	91,469
Accumulated depreciation			
At 1 January	52,595	9,488	62,083
Charge for the year	14,167	1,637	15,804
At 31 December	66,762	11,125	77,887
Net book value			
At 31 December	5,815	7,767	13,582

Notes to the consolidated financial statements

10. Equipment (continued)

	Furniture & fixtures KD	Computers KD	Total KD
31 December 2012:			
Cost			
At 1 January	70,467	15,349	85,816
Additions	1,975	5,325	7,300
Disposals	-	(4,410)	(4,410)
Foreign currency adjustment	(45)	(83)	(128)
At 31 December	72,397	16,181	88,578
Accumulated depreciation			
At 1 January	38,413	11,826	50,239
Charge for the year	14,223	2,086	16,309
Relating to disposals	-	(4,349)	(4,349)
Foreign currency adjustment	(41)	(75)	(116)
At 31 December	52,595	9,488	62,083
Net book value			
At 31 December	19,802	6,693	26,495

11. Investment properties

	31 Dec. 2013 KD	31 Dec. 2012 KD
Property in Kuwait	**1,890,000**	1,625,130
	1,890,000	1,625,130

The movement in investment properties is as follows:

	31 Dec. 2013 KD	31 Dec. 2012 KD
At 1 January	**1,625,130**	-
Purchase during the year	**1,807,900**	1,625,130
Disposal during the year	**(1,625,130)**	-
Change in fair value	**82,100**	-
	1,890,000	1,625,130

The investment property is secured against Ijara financing (note 23). The Group has earned rental income from investment properties of KD116,718 (2012: KD83,523).

Further, during the year, the Group sold a property amounting to KD1,625,130 and realised a gain on sale of KD224,870.

Notes to the consolidated financial statements

12. Properties under development

	31 Dec. 2013 KD	31 Dec. 2012 (Restated) KD
Properties in Saudi Arabia	**2,309,253**	-
Properties in Syria	**4,037,012**	4,089,096
Properties in Morocco	**5,112,506**	5,127,578
	11,458,771	9,216,674

The movement in properties under develoment is as follows:

	31 Dec. 2013 KD	31 Dec. 2012 (Restated) KD
At 1 January	**9,216,674**	13,440,624
Purchase/addition during the year	**3,119,832**	12,731
Sale during the year	**(811,257)**	-
Refund of fees	**-**	(1,250,000)
Impairment of property under development	**-**	(3,360,890)
Foreign currency translation	**(66,478)**	374,209
	11,458,771	9,216,674

The carrying value of properties under development includes cost of land, construction and development costs.

During the year, Group sold certain properties amounting to KD811,257 under construction in Saudi Arabia and realised a gain on sale of KD64,901. The gain on sale of properties under development was recorded in consolidated statement of income as gain on sale of investment properties.

13. Available for sale investments

	31 Dec. 2013 KD	31 Dec. 2012 (Restated) KD
Local unquoted equity securities	**578,280**	653,905
Foreign unquoted equity securities	**3,426,426**	3,592,285
Foreign debt securities	**-**	1,140,014
	4,004,706	5,386,204

Financial assets amounting to KD1,108,437 (2012: KD1,194,507) are stated at cost less impairment due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value.

Investments in local and foreign unquoted equity securities amounting to KD634,554 (2012: KD634,554) are managed by a related party.

Notes to the consolidated financial statements

13. Available for sale investments (continued)

During the year, the Group recognised an impairment loss of KD161,695 (2012: KD314,885) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment

14. Investment in associate

The Group holds 20% (2012: 20%) equity interest in Libya General Trading Company - WLL, Kuwait. The movement during the year is as follows:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Balance at beginning of the year	**987,518**	1,029,668
Share of results	**(36,577)**	(28,498)
Dividend received	**-**	(13,652)
Balance at end of the year	**950,941**	987,518

Summarised financial information of Group's associate is set out below:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Non-current assets	**3,086,735**	2,036,675
Current assets	**1,698,291**	2,968,278
Total assets	**4,785,026**	5,004,953
Current liabilities	**30,321**	67,363
Total liabilities	**30,321**	67,363
Net assets	**4,754,705**	4,937,590

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Revenue	**37,842**	40,416
Loss for the year	**(182,885)**	(142,489)
Other comprehensive income for the year	**-**	-
Total comprehensive loss for the year	**(182,885)**	(142,489)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

Notes to the consolidated financial statements

14. Investment in associate (continued)

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Group's ownership interest (%)	**20**	20
Net assets of the associate	**4,754,705**	4,937,590
Group's share of net assets	**950,941**	987,518
Carrying amount	**950,941**	987,518

15. Due from/to related parties

	31 Dec. 2013 KD	31 Dec. 2012 (Restated) KD
Due from:		
Libya General Trading Company – WLL (associate)	**43,718**	80,759
Mena Real Estate Company KPSC	**139,127**	140,949
Other related parties	**11,455**	7,256
	194,300	228,964
Due to:		
Tafiq Bin Sawda (Non-controling interests)	**110,498**	109,756
	110,498	109,756

16. Advance paid for purchase of investment property

The Group paid an amount of KD603,977(2012: KD259,842) representing total purchase consideration to acquire real estate property outside Kuwait. The formalities to transfer title of the property in the name of the Parent Company are expected to be completed during early 2014.

17. Accounts receivable and other assets

	31 Dec. 2013 KD	31 Dec. 2012 (Restated) KD
Accounts receivable	**390,281**	383,608
Provision for doubtful debts	**(299,490)**	(299,490)
	90,791	84,118
Accrued revenue	**20,786**	166,460
Prepaid expenses	**5,802**	9,572
Other receivables	**72,225**	75,895
	189,604	336,045

The carrying values of the financial assets included above approximate their fair values and are due within one year. The accounts receivable and other assets have been reviewed for impairment, which indicate no provision is required.

Notes to the consolidated financial statements

18. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following:

	31 Dec. 2013 KD	31 Dec. 2012 (Restated) KD
Saving accounts	**1,847,389**	1,706,342
Cash in hand	**1,116**	139
Bank balances	**700,126**	657,901
Murabaha investment	**-**	500,000
	2,548,631	2,864,382

Bank balances and saving accounts yield average profit rate of 1% (2012: 1%).

19. Share capital

	Authorised		Issued and fully paid	
	31 Dec. 2013 KD	31 Dec. 2012 KD	31 Dec. 2013 KD	31 Dec. 2012 KD
Shares of KD 0.100 each	**15,000,000**	15,000,000	**15,000,000**	15,000,000

20. Treasury shares

	31 Dec. 2013	31 Dec. 2012
Number of shares	**4,586,452**	4,586,452
Percentage of issued shares	**3.05%**	3.05%
Cost (KD)	**337,694**	337,694
Market value (KD)	**270,600**	201,804

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

21. Reserves

The Companies Law and the Parent Company's articles of association require that 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the statutory reserve. The shareholders of Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal 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.

Notes to the consolidated financial statements

21. Reserves (continuted)

The Parent Company's articles of association and the Companies Law requires that 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

There are no restrictions on distribution of voluntary reserve. No such transfers are required when the Group incurred loss or accumulated losses exist.

22. Accounts payable and other liabilities

	31 Dec. 2013 KD	31 Dec. 2012 (Restated) KD
Accounts payable	**4,484**	11,224
Accrued expenses	**141,192**	70,690
Staff leave provision	**24,273**	13,898
Dividend payable	**13,084**	21,309
	183,033	117,121

23. Ijara financing

Ijara financing represent Islamic financing obtained from a local financial institution to finance the purchase of an investment property (note 11). It carries an effective profit rate of 5.5% per annum and matures on 8 June 2014.

24. Annual general assembly

The directors did not propose dividend for the year ended 31 December 2013.

The Annual General Assembly of the shareholders held on 14 May 2013 approved the consolidated financial statements of the Group for the year ended 31 December 2012 without dividend.

25. Related party transactions

These represent transactions with certain related parties (directors and executive officers of the Parent Company and their related concerns) entered into by the Group and key management compensation.

Amounts due from/to related parties are shown separately in note 16.

Notes to the consolidated financial statements

25. Related party transactions (continuted)

Details of significant related party transactions and balances are as follows:

	31 Dec. 2013 KD	31 Dec. 2012 (Restated) KD
Transactions included in consolidated statement of income:		
Management fees	**49,134**	111,000
Refund of fees	**-**	(1,250,000)
Compensation of key management personnel:		
Salaries and short term benefits	**87,939**	82,098
End of service benefits	**2,284**	2,290
	90,223	84,388

26. Capital commitments

At the financial position date the Group was committed to purchase investments amounting to KD962,000 (31 December 2012: KD Nil).

27. Segmental information

The Group's reportable segments under IFRS 8 are as follows:

- Local

- International

Notes to the consolidated financial statements

27. Segmental information (continued)

The revenues and profits generated by the Group from segments are summarised as follows:

	Local KD	International KD	Total KD
31 December 2013			
Revenue	**435,712**	**398,896**	**834,608**
Segment (loss)/profit	**(473,611)**	**292,270**	**181,341**
Foreign exchange loss			**(30,756)**
Unallocated expenses			**(6,247)**
Profit for the year			**144,338**
Total assets	**5,633,914**	**16,268,908**	**21,902,822**
Total liabilities	**(1,091,357)**	**(193,641)**	**(1,284,998)**
	4,542,557	**16,075,267**	**20,617,824**
Share of results of associate	**(36,577)**	**-**	**(36,577)**
Capital expenditure	**(2,891)**	**-**	**(2,891)**
Depreciation	**(15,804)**	**-**	**(15,804)**
Impairment of available for sale investments	**(75,625)**	**(86,070)**	**(161,695)**
Purchase of investment property	**1,807,900**	**-**	**1,807,900**
31 December 2012 (Restated)			
Revenue	116,137	301,713	417,850
Segment loss	(367,091)	(4,953,729)	(5,320,820)
Foreign exchange loss			(15,676)
Loss for the year			(5,336,496)
Total assets	5,969,431	15,012,683	20,982,114
Total liabilities	(114,308)	(141,756)	(256,064)
	5,855,123	14,870,927	20,726,050
Share of results of associate	(28,498)	-	(28,498)
Capital expenditure	(7,300)	-	(7,300)
Depreciation	(16,266)	(43)	(16,309)
Impairment of available for sale investments	(99,868)	(215,017)	(314,885)
Impairment of property under development	-	(3,360,890)	(3,360,868)
Purchase of investment property	(1,625,130)	-	(1,625,130)

28. Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risk (including currency risk , price risk and profit rate risk), credit risk and liquidity risk.

The Parent Company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance. Long term financial investments are managed to generate lasting returns.

Notes to the consolidated financial statements

28. Risk management objectives and policies (continued)

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The most significant financial risks to which the Group is exposed to are described below.

28.1 Market risk

a. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in Kuwait, the Middle East and North Africa countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Syrian Pound, Saudi Riyal and Morocco Dirham. The Group's financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

The Group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2013 KD	31 Dec. 2012 KD
US Dollar	**512,401**	1,042,580
Syrian Pound	**1,216**	2,495
Saudi Riyal	**75,905**	75,134
Morocco Dirham	**520,811**	555,933

The foreign currency sensitivity is determined based on US Dollar 3% (2012: 3%), Syrian Pound 50% (2012: 20%), Saudi Riyal 5% (2012:5%) and Morocco Dirham 5% (2012:5%) increase or decrease in exchange rates. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/(weakened) against the foreign currencies assuming the above sensitivity, then this would have the following impact on the loss for the year and equity:

	Profit/(loss) for the year	
	31 Dec. 2013 KD	31 Dec. 2012 KD
US Dollar	**±15,372**	±31,277
Syrian Pound	**±608**	±500
Saudi Riyal	**±3,795**	±3,757
Morocco Dirham	**±26,040**	±27,796

Notes to the consolidated financial statements

28. Risk management objectives and policies (continued)

28.1 Market risk (continued)

a. Foreign currency risk (continued)

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b. Price risk

The Group is exposed to price risk with respect to its investments. Investments are classified either as financial assets at fair value through statement income or available for sale investments.

To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If prices had been 5% higher/lower, the effect on the changes in loss for the years ended 31 December 2013 and 2012 and equity would have been as follows:

	Loss for the year		Equity	
	31 Dec. 2013	31 Dec. 2012	**31 Dec. 2013**	31 Dec. 2012
	KD	KD	**KD**	KD
Investments at fair value through statement of income	**2,415**	2,543	**-**	-
Available for sale investments	**-**	-	**76,332**	137,322

c. Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk with respect to Ijara financing, saving accounts and murabaha investment.

The following table illustrates the sensitivity of the loss for the year and equity to a reasonable possible change in profit rates of +1% and -1% (2012: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

The calculations are based on the Group's financial instruments held at each financial position date. All over variables are held constant. There is no impact on the Group's equity:

	31 Dec. 2013		31 Dec. 2012	
	+1%	**-1%**	+1%	-1%
	KD	**KD**	KD	KD
Loss for the year	**9,523**	**(9,523)**	22,063	(22,063)

There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis

Notes to the consolidated financial statements

28. Risk management objectives and policies (continued)

28.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an

ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the financial position date, as summarized below:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Due from related parties	**194,300**	228,964
Accounts receivable and other assets	**183,802**	326,473
Saving accounts	**1,847,389**	1,706,342
Murabaha investment	**-**	500,000
Bank balances	**700,126**	657,901
	2,925,617	3,419,680

Bank balances, saving accounts and murabaha investment are maintained with high credit quality financial institutions. Accounts receivable and due from related parties are presented net of provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

Concentration of financial assets

The Group has investments and other assets amounting to KD11,497,989 (31 December 2012: KD11,688,074) in the Middle East and North Africa (MENA) region representing 53% of total assets as at 31 December 2013 (31 December 2012: 56%) including KD5,175,138 (31 December 2012: KD5,304,920) in Libya and Syria. In addition, the Group is managing real estate construction projects in the region including projects in Libya and Syria. Management is closely monitoring the current political changes the region is witnessing and is taking all the necessary actions to safeguard its assets and activities in the region.

28.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the Group's financial liabilities. The maturities of financial liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

Notes to the consolidated financial statements

28. Risk management objectives and policies (continued)

28.3 Liquidity risk (continued)

Maturity profile of liabilities at 31 December 2013:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Liabilities					
Provision for employees' end of service benefits	-	-	-	24,902	24,902
Ijara financing	-	-	944,225	-	944,225
Due to related parties	-	-	110,498	-	110,498
Accounts payable and other liabilities	-	183,033	-	-	183,033
	-	183,033	1,054,723	24,902	1,262,658

Maturity profile of liabilities at 31 December 2012 (Restated) :

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Liabilities					
Provision for employees' end of service benefits	-	-	-	29,187	29,187
Due to related parties	-	-	109,756	-	109,756
Accounts payable and other liabilities	-	117,121	-	-	117,121
		117,121	109,756	29,187	256,064

29. Fair value measurement

29.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

Notes to the consolidated financial statements

29. Fair value measurement (continued)

29.2 Fair value measurement of financial instruments

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2013 KD	31 Dec. 2012 (Restated) KD
Financial assets:		
Loans and receivables at amortised cost:		
- Cash and bank balances	**2,548,631**	2,864,382
- Due from related parties	**194,300**	228,964
- Accounts receivable and other assets	**183,802**	326,473
Investments at fair value through statement of income at fair value:		
Investments at fair value through statement of income	**48,310**	50,860
Available for sale investments:		
Available for sale investments at cost	**1,108,437**	1,194,507
Available for sale investments at fair value	**2,896,269**	3,051,684
Debt instruments	**-**	1,140,013
	6,979,749	8,856,883
Financial liabilities:		
Financial liabilities at amortised cost:		
Due to related parties	**110,498**	109,756
Accounts payable and other liabilities	**183,033**	117,121
Ijara financing	**895,000**	-
	1,188,531	226,877

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

Notes to the consolidated financial statements

29. Fair value measurement (continued)

29.2 Fair value measurement of financial instruments

31 December 2013

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
Local Managed funds	**(a)**	**-**	**48,310**	**-**	**48,310**
Available for sale investments					
Unquoted securities	**(b)**	**-**	**-**	**2,896,269**	**2,896,269**
			48,310	**2,896,269**	**2,944,579**

31 December 2012 (restated)

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
Local Managed funds	(a)	-	50,860	-	50,860
Available for sale investments					
Debt instruments	(c)	1,140,014	-	-	1,140,014
Unquoted securities	(b)	-	-	3,051,684	3,051,684
		1,140,014	50,860	3,051,684	4,242,558

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a. Local managed funds

The underlying investments in local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

b. Unquoted securities

Unlisted securities are measured at fair value estimated-using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

c. Foreign debt securities

Fair values of foreign debt securities have been determined by reference to their quoted bid prices at the reporting date.

d. Financial liabilities

The Group does not have any financial liabilities at fair value.

Notes to the consolidated financial statements

29. Fair value measurement (continued)

29.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements

The Group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Financial assets available for sale	
	Unquoted investments	**Unquoted investments**
	31 Dec. 2013	31 Dec. 2012
	KD	KD
Opening balances	**3,051,684**	3,339,335
Gains or losses recognised in:		
- Consolidated statement of income	**(75,627)**	-
- Other comprehensive income	**(79,788)**	(287,651)
Closing balance	**2,896,269**	3,051,684
Total amount included in profit or loss for unrealised gains on Level 3 assets	**Nil**	Nil

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Available for sale investments and investment at fair value through statement of income:

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and make assumptions that are based on market conditions existing at each financial position date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of income, total assets, total liabilities or total equity.

The impact on consolidated statement of income and consolidated statement of comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Notes to the consolidated financial statements

29. Fair value measurement (continued)

29.3 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2013:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
- Property in Kuwait	-	-	**1,890,000**	**1,890,000**

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Buildings in Kuwait

The buildings in Kuwait represent buildings catergorised as "Investment Buildings". The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. One of these valuers is a local bank who has valued the investment properties using the Yield Method. The other valuer who is a local reputable valuer has valued the investment properties primarily by using market comparison. When the market comparison approach is used adjustments have been incorporated for factors such as plot size, location and current use. For the valuation purpose, the Group has selected the lower value of the two valuations (2012: lower of two valuations).

Further information regarding the fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings in Kuwait	Yield method and Market comparison approach	Average monthly rent	KD 10,240	Higher the rent ,higher the fair value

Notes to the consolidated financial statements

29. Fair value measurement (continued)

29.3 Fair value measurement of non-financial assets (continued)

The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investment Properties KD
31 December 2013	
Opening balance	**1,625,130**
Purchases	**1,807,900**
Sales	**(1,914,901)**
Gains or losses recognised in consolidated statement of income:	
- Change in fair value of investment property	**82,100**
- On disposal	**289,771**
Closing balance	**1,890,000**
Total amount included in consolidated statement of income for unrealised gains on Level 3 assets	**82,100**

30. Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital of the Group comprise of total equity. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.