



Building Better Life!

Aqar Real Estate Investments Company

Annual Report 2013





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



His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

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BOARD MESSAGE...

Dear Shareholders of AQAR REAL ESTATE INVESTMENT CO.

It is our pleasure to meet, and would like to welcome you to Aqar's General Assembly meeting. We are pleased to present you the annual report of the company's achievements for the fiscal year ended 31/12/2013, including the most important achievements and significant activities during the year, along with the auditor's report, consolidated balance sheet and income statement.

During the fiscal year 2013, the company has completed the planned targets in Aqar's strategy that was approved by the board of directors. This strategy focuses on the short term to liquidate the non income generating assets and replace them with income generating assets, as well as reducing expenses in order to maximize profitability. The most important achievements of the company during this year include:

- Exiting from an investment in an associate company (Al Mal and Aqar Joint Projects Company) (The Sharq Land), Aqar has sold its shares in this company for an amount of K.D. 4,200,000 (Kuwait Dinar four million two hundred thousand only). According to that, Aqar has gained a profit from this deal of K.D. 73,000 (Kuwait Dinar seventy three thousand only). This exiting was in order to avoid the probably risks of this investment. This investment intended to construct an office tower, on an area of 3,000 square meters in Al Sharq Area, behind Al-Sharq fire station. As a result of the global financial crisis, the project has lost its feasibility, which led to reduce the assets value, increased the surplus of commercial real estate, and lack of financial resource of it. Accordingly, this exiting has made a good liquidity, which will be invested as per the strategy of the company.
- Exiting from an investment in state of Qatar called Al Jawhara Green project, the value of K.D. 1,007,000 (Kuwait Dinar one million seven thousand only). Aqar has received the first payment, which represents 40% of the value of this investment, and will receive the final payment which is 60% by the end of the May 2014. This exit has led to gain a profit of currency change only, and will have a positive impact of increasing the liquidity of the company.
- Exiting from an investment in a listed Company called Gulf North Africa Holding Company. Aqar has sold all its shares through Kuwait Stock Exchange. Aqar got a profit of K.D 237,759 (Kuwait Dinar two hundred thirty seven thousand seven hundred fifty nine only).
- The company has increased the rent value for its own properties, which resulted a gain in rental income of K.D. 595,216 (Kuwait Dinar five hundred ninety five thousand two hundred sixteen only), compared with K.D. 434,276 (Kuwait Dinar four hundred thirty four thousand two hundred seventy six only) in 2012. The rental income has increased by 37 % in 2013 as compared to 2012.



- The company has completed its own strategy which will be applied in next period, and will fulfill the esteemed shareholders' goals. The strategy will be constantly updated and developed according to the latest development in real estate markets, which the company focuses on investing in, and ensure optimal utilization of the owned assets.

Dear Shareholders,

The company's revenues of the fiscal year 2013 reached K.D. 2,929,781. The general and administrative expenses reached K.D. (337,701). The depreciation is K.D. (9,478). The impairment loss for investment available for sale reached K.D. (121,360). The profit before deducting the tax and Zakat is K.D. 2,460,839. The net profit after the tax and Zakat is K.D. 2,329,888. The share profit is 10.17 fils compared with 9.64 fils in 2012.

According to this profit, the company was able to close the entire accumulated loss. The retained earnings of the company by the end of 2013 reached K.D. 1,304,906.

Dear Shareholders,

The company's management succeeded in performing all the short term strategy goals, as it sold all what it planned to sell from not income generating assets, as well as it got rid of assets that don't serve its direct purposes. The company has increased the income and decreased the unnecessary expenses. In addition, the company has almost finished formulating the long term strategy.

After reassuring the safety conditions of the company, the Board of Directors recommended to distribute a cash dividend of 5%. This recommendation is conditioned to take the approval of the General Assembly of the company and the official oversight.

On my behalf and behalf of the Directors, we would like to extend our thanks and appreciation for your trust and constant support to carry on the company's path, and we are grateful to you for attending this assembly.

Bader Saleh Al-Essa
Chairman



BUILDING
POWER...



“Our Teamwork Is Our Powerful Factor”

Board Of Directors

Mr. Bader Saleh Al-Essa

Chairman

Dr. Sulaiman T. Al-Abduljader

Vice Chairman

Mr. Sameer Ibrahim Habayeb

Director

Mr. Mousa Ali Abou Taleb

Director

Mr. AbdulRahman F. Al-Dakhail

Director

Executive Management

Mr. Mousa Ali Abou Taleb

Chief Executive Officer

Mr. Hamed Fatouh Hamed

Head of Financial And Admin. Dept.

Mr. Abdullah M. Al- Usaimi

Assistant Manager

Mr. Soud Abdullah Al-Osaimi

Assistant Manager



A close-up photograph of a man in a white dress shirt and dark tie. His hands are clasped together in front of him, and he is smiling. The image is split horizontally by a dark purple band containing the text "BUILDING TRUST...".

BUILDING
TRUST...

Vision & Mission

The company seeks to be one of the leading companies in the real estate sector, by its investments, its assets, and providing various and best services to others.

It strives to utilize all available resources in an efficient and effective manner to enhance shareholder value through balanced investments in multiple asset classes.

Company Profile

Aqar Real Estate Investments Company was established in 1997 by a group of shareholders, companies and individuals with variety of experience. It was listed in Kuwait Stock Exchange in 2005 in real estate sector. Aqar's issued and fully paid capital is KWD 23.5 Million.

Aqar is involved in all types of real estate activity, and has a good portfolio of real estate assets in several locations, both inside and outside Kuwait.





Investments

Subsidiary Company

Gulf Springs Kuwait Real Estate Development Company W.L.L, Founded in 2007 with a capital of KD 4,000,000 (Four million KD).

The ownership of Aqar Real Estate Investments Company is 99.5%.

Associate Company

Aqar Real Estate Investments Company Owns 35% stake in Al-Barsha Real Estate Co. K.S.C, which was founded in 2006 with a capital of 1,000,000 (KD).

Al-Barsha Real Estate Company has Al-Barsha Complex Boutique in United Arab Emirates - Dubai. The current value of this property is more than K.D. 10,000,000 (Kuwaiti Dinar Ten Million Only).





Our Projects



C-VIEW TOWER

C-View Tower is situated in a prestigious Area of Al Shaab Al Bahri covering an area of 1,000 Sqm, and overlooks the Arabian Gulf Road.

All apartments have a direct view of the sea from all sides. This contemporary design is catered to the elite customers. It is a luxurious residential tower, characteristic by its architectural and innovative design. It contains many services that ensure leisure and comfort to the tenants.

The tower consists of Basement, Ground floor and 14 floors with different sizes. Each floor has only one apartment that insures the privacy and leisure for the tenant. The size of apartments is in between 190 – 220 Sqm. Apartments from the first floor to the fourth floor comprise of 4 bedrooms and 4 bathrooms. While the rest floors comprise of only 3 bedrooms and 3 bathrooms. All apartments include wide living room, a kitchen, and maid room.



The luxury Destination...



This project includes a variety of entertainment services including a swimming pool, spa, store per unit, in addition to parking and security services around the clock.



Al-Jabriya Building

Al-Jabriya Building Located In Amazing Area With Fabulous Spaces...

The company owns Al-Jabriya residential building which is located in block No.3B, plot 105. The building covers an area of 1093 Sqm. It includes 28 residential units distributed on 7 floors, as well as a shop and a basement.

The size of units is in between 90 – 100 Sqm. Each unit consists of living room, 2 bedrooms, 2 bathrooms, a kitchen, and maid room.



Hawally Residential Buildings



These buildings are characteristic by its stunning design, its distinctive services, and the large size of the units.

The Company owns two residential buildings which are located in Hawally Area, Sharhabeel Street, Block No. 140 and plot numbers 6 + 8. These buildings cover an area of 1000 Sqm each. Each building comprises of 30 residential units distributed on 10 floors, and the total units in both buildings are 60 units. The size of each unit is within 90 Sqm. Each unit consists of living room, 2 bedrooms, 2 bathrooms, kitchen, and maid room.



Abu Halifa Residential Building



The company owns Abu Halifa residential building which is located in a prime location in Mudar Street. It overlooks the sea, and is just a 20 minutes drive from Kuwait City.

The building covers an area of 840 Sqm and comprises of 21 residential units distributed on 7 floors as well as a shop. The size of each unit is within 95 Sqm. Each apartment consists of living room, 2 bedrooms, 2 bathrooms, and a kitchen.

The location of the building is great, as it contains many services and open space for car parking.

Al Barsha Complex



Aqar owns 35% of Al-Barsha Real Estate Co.

The company was established for owning Al Barsha Boutique project in Dubai – UAE, in Al Barsha 1 Area. This project was built in an area of 3221 Sqm.

This project is characteristic of being so near to Mall of Emirates. It consists of 3 basements for cars parking, ground floor for commercial activities, and 6 floors offices. This project is 100 % occupied, and includes major international companies.





Investments

Abyat Real Estate Company



Aqar has contributed with strategic investors in establishing Abyat Real Estate Company, with a paid up capital of KWD 10 Million. Aqar contributes 5 % of Share Capital. Abyat Real Estate Company is a subsidiary company of Abyat Megastore showrooms which specialized in building materials.

Abyat Real Estate Company has completed Abyat Megastore showroom which is located in Shuwaikh, covering an area of 22,500 sqm. It is the first Kuwaiti project of its kind, made a revelation in the field of construction; not only locally but also regionally. This project contains in one place, various kinds of building and construction materials, which allows the customers the freedom and flexibility to choose the materials that suits them.



Al-Hidd Industrial Area – Bahrain



In terms of regional expansion, Aqar has invested in Al-Hidd project for light industry located in Al-Hidd Industrial area, Kingdom of Bahrain. The project covers an area of 6.4 million square meters. Aqar contributes with strategic partner in the work of the first phase of the project, which engages with the infrastructure development of an area of 2.5 million square meters, and then to be sold to institutional investors.



Bodrum Vacations Homes - Turkey



Aqar has invested in the development of vacations homes project in the Bodrum peninsula, which is one of the most famous coastal cities in Turkey. This investment comes due to the growing demand of ownership in the coastal town of Bodrum, which is today a center of tourism due to its advantages of Mediterranean climate and the quality of infrastructure as well as easy access to the airport.

The company contributes in this project in collaboration with other investors.





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Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management

SOCIAL NETWORK

INDEPENDENT AUDITORS' REPORT TO The Shareholders OF AQAR Real Estate Investments Company K.S.C. (Closed)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Aqar Real Estate Investments Company - K.S.C. (Closed) (the Parent Company) and its subsidiary "the Group" which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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 misstatements whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aqar Real Estate Investments Company - K.S.C. (Closed) and its subsidiary as of December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Companies Law No. (25) of 2012 as amended and its executive regulation and the Parent Company's Articles of Incorporation or Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the year ended December 31, 2013 of either the Companies Law No. (25) of 2012 as amended and its executive regulation or of the Parent Company's Articles of Incorporation or Articles of Association and which might have materially affected the Group's financial position or results of its operations.



Ali Owaid Rukheyas
Licence No. 72-A
Member of the International Group
of Accounting Firms
State of Kuwait
3rd February 2014



Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	2013	2012
Cash and cash equivalents	3	11,542,896	5,713,496
Other debit balances	4	51,222	183,241
Investments available for sale	5	1,848,514	2,835,958
Investments in associates	6	670,677	4,738,899
Investment properties	7	12,435,000	10,602,000
Property and equipment		6,818	16,127
		26,555,127	24,089,721
Assets related to discontinued operations	8	-	156,701
Total assets		26,555,127	24,246,422
<u>LIABILITIES AND EQUITY</u>			
<u>Liabilities</u>			
Term loan	9	-	30,000
Provision for end of service indemnity	10	23,611	12,859
Accounts payable and other credit balances	11	476,532	430,858
		500,143	473,717
Liabilities related to discontinued operations	8	-	1,329
Total liabilities		500,143	475,046
<u>Equity</u>			
Share capital	12	23,425,000	23,425,000
Share premium	13	227,567	227,567
Treasury shares	14	(481,746)	(481,746)
Treasury shares reserve		8,523	8,523
Statutory reserve	15	784,891	608,572
Voluntary reserve	16	784,891	608,572
Cumulative change in fair value		-	46,236
Retained earnings (accumulated losses)		1,304,906	(697,694)
Equity attributable to Parent Company's shareholders		26,054,032	23,745,030
Non-controlling interests		952	26,346
Total equity		26,054,984	23,771,376
Total liabilities and equity		26,555,127	24,246,422

Bader Saleh Al-Essa
Chairman

Mousa Ali Abou Taleb
CEO

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

	Note	2013	2012
Continuing operations:			
Real estate's rental income		595,216	374,481
Real estate's operating expenses		(29,800)	(43,872)
Net real estate's rental income		565,416	330,609
Group's share of results from associates	6	58,777	87,981
Gain on sale of associate	6	73,001	-
Change in fair value of investment properties	7	1,833,000	22
Gain on sale of investment properties	7	-	2,165,742
Net operating income		2,530,194	2,584,354
Other income		25,898	35,037
Interest income		78,895	31,520
Realized gain from sale of investments available for sale		237,759	19,380
Impairment loss for investments available for sale		(121,360)	(115,381)
Dividend income		35,000	41,199
Depreciation		(9,478)	(5,699)
General and administrative expenses	18	(333,640)	(277,088)
Finance charges		(403)	(32,930)
Foreign currency exchange		22,035	(57)
Net profit for the year from continuing operations		2,464,900	2,280,335
Discontinued operations:			
(Loss) profit for the year from discontinued operations	8	(4,061)	46,414
Net (loss) profit for the year from discontinued operations		(4,061)	46,414
Profit for the year before Contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remunerations		2,460,839	2,326,749
Contribution to Kuwait Foundation for the Advancement of Sciences	19	(15,299)	-
National Labor Support Tax	20	(61,868)	(55,697)
Contribution to Zakat	21	(23,828)	(21,574)
Board of Directors' remuneration	23	(30,000)	(30,000)
Net profit for the year		2,329,844	2,219,478
Attributable to:			
Shareholders of the Parent Company		2,329,888	2,218,306
Non-controlling interests		(44)	1,172
Net profit for the year		2,329,844	2,219,478
Earnings per share from continuing operations (fiis)	22	10.19	9.45
(Loss) earnings per share from discontinued operations (fiis)	22	(0.02)	0.19

The attached notes 1 to 27 form part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

	Note	2013	2012
Net profit for the year		2,329,844	2,219,478
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of investments available for sale	5	-	46,236
Transferred to consolidated statement of profit or loss for sale of investments available for sale		(46,236)	(12,023)
Other comprehensive (loss) income for the year		(46,236)	34,213
Total comprehensive income for the year		2,283,608	2,253,691
Attributable to:			
Shareholders of the Parent Company		2,283,652	2,252,519
Non-controlling interests		(44)	1,172
Total comprehensive income for the year		2,283,608	2,253,691

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Equity attributable to Parent Company's shareholders											
	(Accumulated losses)							Non-controlling interests	Total equity		
	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Cumulative change in fair value			retained earnings	Total
Balance at December 31, 2011	23,425,000	227,567	(296,644)	8,523	608,572	608,572	12,023	(2,932,242)	21,661,371	41,416	21,702,787
Total comprehensive income for the year	-	-	-	-	-	-	34,213	2,218,306	2,252,519	1,172	2,253,691
Purchase of treasury shares	-	-	(185,102)	-	-	-	-	-	(185,102)	-	(185,102)
Net movement on non-controlling interests (a)	-	-	-	-	-	-	-	16,242	16,242	(16,242)	-
Balance at December 31, 2012	23,425,000	227,567	(481,746)	8,523	608,572	608,572	46,236	(697,694)	23,745,030	26,346	23,771,376
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(46,236)	2,329,888	2,283,652	(44)	2,283,608
Transfer to reserves	-	-	-	-	176,319	176,319	-	(352,638)	-	-	-
Net movement on non-controlling interests (a)	-	-	-	-	-	-	-	25,350	25,350	(25,350)	-
Balance at December 31, 2013	23,425,000	227,567	(481,746)	8,523	784,891	784,891	-	1,304,906	26,054,032	952	26,054,984

a) Movement on non-controlling interests represents change in actual equity for Parent Company's subsidiaries.

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

	2013	2012
Cash flows from operating activities:		
Profit for the year before Contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remunerations	2,460,839	2,326,749
Adjustments:		
Interest income	(78,895)	(31,520)
Provision no longer required	(3,077)	-
Realized gain from sale of investments available for sale	(237,759)	(25,909)
Impairment loss for investments available for sale	121,360	127,796
Dividend income	(35,000)	(55,199)
Group's share of results from associates	(58,777)	(87,981)
Gain on sale of associate	(73,001)	-
Change in fair value of investment properties	(1,833,000)	(22)
Gain on sale of investment properties	-	(2,165,742)
Depreciation	9,478	5,699
Finance charges	403	32,930
Foreign currency exchange	(22,035)	57
Provision for end of service indemnity	13,829	15,960
	264,365	142,818
Changes in operating assets and liabilities:		
Other debit balances	68,337	(136,393)
Accounts payable and other credit balances	20,618	7,879
Paid for purchase of investment properties	-	(3,038,325)
Proceeds from sale of investment properties	-	7,394,064
Cash generated from operating activities	353,320	4,370,043
End of service indemnity paid	-	(93,444)
NLST paid	(55,697)	-
Zakat paid	(21,571)	-
Board of Directors' remuneration paid	(30,000)	-
Net cash generated from operating activities	246,052	4,276,599
Cash flows from investing activities:		
Interest income received	61,092	30,080
Payment for purchase of investments available for sale	-	(94,449)
Proceeds from sale of investments available for sale	1,161,127	759,633
Proceeds from sale of investment in associate	4,200,000	-
Dividend income received	35,000	55,199
Payment for purchase of property and equipment	(169)	(1,672)
Net cash generated from investing activities	5,457,050	748,791

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)
At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

	2013	2012
Cash flows from financing activities:		
Term loan paid	(30,000)	(2,700,000)
Finance charges paid	(403)	(32,930)
Paid for purchase of treasury shares	-	(185,102)
Net cash used in financing activities	(30,403)	(2,918,032)
Net increase in cash and cash equivalents	5,672,699	2,107,358
Cash and cash equivalents at the beginning of the year	5,870,197	3,762,839
Cash and cash equivalents at the end of the year	11,542,896	5,870,197
 Cash and cash equivalents represented by:		
Cash and cash equivalents at the end of the year for continuing operations (Note 3)	11,542,896	5,713,496
Cash on hand and at bank at the end of the year for discontinued operations (Note 8)	-	156,701
Cash and cash equivalents at the end of the year	11,542,896	5,870,197

The attached notes 1 to 27 form part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Al Ahlia Kuwaiti Real Estate Company was incorporated pursuant to the Articles of Association of K.S.C. authenticated by Ministry of Justice - Real Estate Registration and Authentication Department – in the State of Kuwait under reference No.403 / Vol. 1 dated October 9,1997.

Pursuant to Memorandum No.295 dated August 19, 2003 issued by companies management based on the decision of Ordinary and Extra ordinary General Assembly held on July 30,2003, the amendments were done for Article No.(2) of the Articles of Association and Article No. (1) of the Articles of Incorporation which are related to Parent Company's name to be as follows:"The Company's name is : Aqar Real Estate Investments Company - K.S.C (Closed)" and its subsequent amendments which was the latest that implies the signing in the commercial register under reference No.69418 Vol.1 dated December 25,2011 which amends the Article No.(13) of the Articles of Incorporation to be as follows:"Board of Directors elected from General Assembly by confidential voting comprises five members who were the responsible for the management of the Company".

The main objectives for which the Parent Company incorporated for are:

- All real estate activities comprise buying, acquiring lands and properties for purpose of sale in its original condition or after splitting or renting or developing and trading for it.
- Renting and leasing lands and properties individually or others participation.
- Establishing buildings and real estate projects , residential and commercial complex, private and public parking lots and implementing those activities directly or by others and it has the right for management, renting and selling them for cash or by installments and applying legal procedures related to those activities.
- Managing others' properties and investments for their benefit or for the Parent Company benefit.
- Preparing economic , technical and geometric studies and consultations related to real estates aspects and private and public real estate projects in all kinds and all related activities for its own or for other benefits.
- Investing surplus funds of the Parent Company in investment portfolios managed by specialized companies and parties.
- Acquiring, buying and selling shares and bonds of real estate companies for the benefit of the Parent Company only inside and outside State of Kuwait.
- Acquiring and managing hotels and health clubs and touristic utilities and renting and leasing them.
- Performing maintenance works related to buildings and real estates owned by the Parent Company and others including maintenance work, execution of civil, mechanical, electrical, elevators, and air conditioning work to ensure the protection and safety of the buildings.
- Managing, operating, investing, renting and leasing hotels, health clubs, motels, hospitality houses, rest houses, parks, gardens, exhibitions, restaurants, cafeterias, housing complexes, touristic and health resorts, entertainment and sports projects and shops at all levels including all original and auxiliary relate to them a long with its services.
- Organizing the real estate exhibitions related to Parent Company's real estate projects in accordance with the Ministry's rules.
- Establishing the real estate auctions in accordance with the Ministry's rules.
- Establishing and managing real estate investments fund (after approval of Central Bank of Kuwait).
- Importing building materials related to Parent Company's objectives after getting necessary license.
- Direct contribution in the infrastructure of districts and residential, commercial and environmental industrial projects through Build, Operate and Transfer System (BOT) and managing real estate utilities through (BOT) system.
- Getting agencies for all companies related to Parent Company activities such as hotels and parks, buildings materials and all of its accessories.

The Parent Company is allowed to conduct the above mentioned activities inside State of Kuwait or abroad on its own or as an agent

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Incorporation and activities (continued)

for other parties. The Parent Company may have an interest or in any way associate itself with other institutions practicing activities similar to its activities or which may assist the Parent Company in achieving its objectives in State of Kuwait or abroad. The Parent Company may establish, participate in or acquire these institutions or have them affiliated to it.

The Parent Company was listed in Kuwait Stock Exchange on April 11, 2005.

The Group has 14 employees (2012 – 14 employees).

The Parent Company's registered address is: P.O. Box 20017 – Safat 13061, State of Kuwait.

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

The consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company on February 3, 2014. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

Significant Accounting Policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990. Significant accounting policies are summarized as follows:

Basis of Preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except for quoted investments available for sale and investment properties that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2013:

IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories

Items that will not be reclassified, subsequently to consolidated statement of profit or loss.

Items that may be reclassified to consolidated statement of profit or loss when specific conditions are met.

The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 28 Investments in associates and joint ventures

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in other entities IAS 28 Investments in Associates has been renamed IAS 28 Investments in Associates and Joint Ventures and describes the application of the equity method to investments in Joint Ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after January 1, 2013.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Basis of Preparation (continued)

IFRS 7 Offsetting financial assets and financial liabilities and related disclosures

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments are effective for annual periods beginning on or after January 1, 2013.

IFRS 10 Consolidated Financial Statements

The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

This IFRS:

- Defines fair value
- Sets out in a single IFRS a framework for measuring fair value.
- Requires disclosures about fair value measurements.

IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value.

The new requirements are effective for annual periods beginning on or after January 1, 2013.

These amendments and standards did not have material impact on the Group's consolidated financial statements.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(r).

Standards and interpretations issued but not effective

The following IASB Standards and interpretations have been issued but are not yet effective, and have not yet been adopted by the Group:

Amendments to IAS 32 offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement".

These are effective for annual periods beginning on or after January 1, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Basis of Preparation (continued)

IFRS 9 Financial Instruments

The standard, which was earlier effective for annual periods beginning on or after January 1, 2015 and now deferred specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

Amendments to IFRS 10, IFRS 12 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2014.

These amendments and standards are not expected to have any impact on the Group's consolidated financial statements.

Principles of consolidation:

The consolidated financial statements incorporate the financial statements of Aqar Real Estate Investments Company - K.S.C (Closed)"The Parent Company" and the following subsidiaries:

Name of subsidiary	Country of incorporation	Activities	Percentage of holding %	
			2013	2012
Alroya International Real Estate Company - K.S.C. (Closed)	State of Kuwait	Real Estates Development	-	97.55%
Gulf Spring Kuwait for Real Estate Development Company - W.L.L	State of Kuwait	Real Estates Development	99.98%	99.98%

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company:

- Has power over the investee.
- Is exposed, or has rights to variable returns from its involvement with the investee.
- Has the ability to use its power to affect its returns. The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Principles of consolidation: (continued)

When the Parent Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- Potential voting rights held by the Parent Company, other vote holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.

Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

During year ended December 31, 2013, Alroya International Real Estate Company – K.S.C. (Closed) "Subsidiary" had been liquidated (Note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Financial instruments:

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, investments available for sale, term loan and accounts payable.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or profit. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

c.1) Cash and cash equivalents:

Cash and cash equivalents includes cash on hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

c.2) Investments:

The Group classifies its investments as available for sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized settlement date – the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

After initial recognition, investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in the consolidated statement of other comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in the consolidated statement of comprehensive income is transferred to the consolidated statement of profit or loss.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either:

- (a) has transferred substantially all the risks and rewards of ownership of the investment, or
- (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement – is removed from consolidated statement of comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Financial instruments: (continued)

c.3) Borrowings:

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

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

c.4) Accounts payable:

Accounts payables include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

Associates:

Associates are those enterprises in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 «Non-current Assets Held for Sale and Discontinued Operations». Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate. The Group recognizes in the consolidated statement of comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group's has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

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

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in 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 recognizes the amount in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Investment properties:

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period.

Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Property and equipment:

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

Depreciation is computed on a straight-line basis over the estimated useful lives of property and equipment as follows:

Assets	Useful life (Years)
Furniture and equipment	3 - 5

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

Impairment of assets:

At the end of each reporting period, the Group reviews the carrying amounts of tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Property and equipment: (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

End of service indemnity:

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the financial period and approximates the present value of the final obligation.

Share capital:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Treasury shares:

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

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

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's shareholders.

Provisions:

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

Revenue recognition:

Revenue comprises the fair value of the consideration received or receivable for rendering of services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Revenue recognition: (continued)

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Rent

Rental profit or loss is recognized, when earned, on a time apportionment basis.

Interest income

Interest income is recognized using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

Borrowing costs:

All borrowing costs are recognized in the consolidated statement of profit or loss in the period for which they are incurred.

Foreign currencies:

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing financial year the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the date of financial year are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in the other comprehensive income.

Segment reporting:

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

Contingencies:

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Dividend distribution:

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

Critical accounting judgments, estimates and assumptions:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Dividend distribution: (continued)

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

Judgments:

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Investment properties

When the intention of the Group is to earn rentals from land or hold the land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

(iii) Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

(iv) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as at fair value through profit or loss or available for sale. The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of profit or loss" if they are acquired primarily for short term profit making or if they are designated at fair value through statement of profit or loss at inception, provided their fair values can be reliably estimated. The Group classifies investments as classified as «available for sale».

(v) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is «significant» or «prolonged» requires significant judgment.

Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Provision for doubtful debts

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

Estimates and assumptions: (continued)

(ii) Provision for doubtful debts (continued)

evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

(iii) Revaluation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognized in the consolidated statement of profit or loss. Two main methods were used to determine the fair value of the investment properties:

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

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

(iv) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note (25).

3. Cash and cash equivalents

	2013	2012
Cash on hand and at banks	152,896	313,496
Short term bank deposits	11,390,000	5,400,000
	11,542,896	5,713,496

The effective annual interest rate on short term bank deposits is ranging from 0.50% to 1% (2012 – From 0.625% to 1.75%). These deposits had maturity of three months. There is no material difference between the fair value and carrying value of cash and cash equivalents.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

4. Other debit balances

	2013	2012
Accrued revenues	16,564	6,024
Prepaid expenses	14,989	16,134
Refundable deposits	11,975	18,500
Due from related party (Note 17)	3,000	3,020
Staff receivables	175	277
Due from brokerage company	-	134,767
Others	4,519	4,519
	51,222	183,241

The fair values of other debit balances approximated their carrying values as at December 31, 2013. The other classes within other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of other debit balances mentioned above.

5. Investments available for sale

Investments available for sale represented by:

	2013	2012
Quoted equity securities	-	465,945
Unquoted equity securities	1,506,278	1,906,417
Investment fund	342,236	463,596
	1,848,514	2,835,958

It was not possible to reliably measure the fair value of unquoted securities due to non availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses.

The movement during the year was as follows:

	2013	2012
Balance at the beginning of the year	2,835,958	3,568,816
Additions	-	94,449
Disposals	(866,084)	(745,747)
Impairment loss	(121,360)	(127,796)
Change in fair value	-	46,236
Balance at the end of the year	1,848,514	2,835,958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

5. Investments available for sale (continued)

The investments available for sale were valued by the following currencies:

	2013	2012
Kuwaiti Dinar	322,625	785,946
US Dollar	946,380	1,470,503
Bahraini Dinar	579,509	579,509
	1,848,514	2,835,958

6. Investments in associates

The investments in associates consist of the following:

Name of the associate	Ownership percentage		2013	2012
	2013	2012		
Al Mal and Aqar Joint Projects Company - W.L.L.	-	33.33%	-	4,125,159
Al Barsha Real Estate Company - K.S.C. (Closed)	35%	35%	670,677	613,740
			670,677	4,738,899

Investments in associates are investments in companies incorporated in the State of Kuwait and all these companies conduct real estate activities, the movement during the year was as follows:

	2013	2012
Balance at the beginning of the year	4,738,899	4,650,918
Disposals	(4,126,999)	-
Group's share of results from associates	58,777	87,981
Balance at the end of the year	670,677	4,738,899

During the year ended December 31, 2013, the Parent Company sold its investment in Al Mal and Aqar Joint Projects Company - W.L.L. for amount of KD 4,200,000 which resulted in gain of KD 73,001 from that transaction.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

6. Investments in associates (continued)

Summarized financial information for associate is as follows:

a) Al Mal and Aqar Joint Projects Company - W.L.L.

Summarized statement of financial position

	2012
Current assets	6,607
Non-current assets	13,800,000
Total assets	13,806,607
Current liabilities	193,952
Total liabilities	193,952
Net assets	13,612,655

The following are reconciliations for summarized financial information above to reconcile the book value of the Group's share in Al Mal and Aqar Joint Projects Company - W.L.L. which recorded in the consolidated financial statements.

	2012
Net assets of the associate	13,612,655
Group's ownership in Al Mal and Aqar Joint Projects Company - W.L.L.	33.33%
	4,537,098
Reconciliations for impairment loss	(411,939)
Book value for Al Mal and Aqar Joint Projects Company - W.L.L.	4,125,159

Summarized statement of profit or loss and other comprehensive income

	2013	2012
Total revenue	6,582	181,220
Total cost	(1,065)	(6,104)
Net profit	5,517	175,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

6. Investments in associates (continued)

b) Al Barsha Real Estate Company - K.S.C. (Closed)

Summarized statement of financial position

	2013	2012
Current assets	361,709	195,774
Non-current assets	9,678,426	9,652,841
Total assets	10,040,135	9,848,615
Current liabilities	7,095,058	7,066,216
Total liabilities	7,095,058	7,066,216
Net assets	2,945,077	2,782,399

The following are reconciliations for summarized financial information above to reconcile the book value of the Group's share in Al Barsha Real Estate Company - K.S.C. (Closed) which recorded in the consolidated financial statements.

	2013	2012
Net assets of the associate	2,945,077	2,782,399
Group's ownership in Al Barsha Real Estate Company - K.S.C. (Closed)	35%	35%
	1,030,777	973,840
Reconciliations for impairment loss	(360,100)	(360,100)
Book value for Al Barsha Real Estate Company - K.S.C. (Closed)	670,677	613,740

Summarized statement of profit or loss and other comprehensive income

	2013	2012
Total revenue	763,877	769,035
Total cost	(601,199)	(684,440)
Net profit	162,678	84,595



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

7. Investment properties

	2013	2012
Balance at the beginning of the year	10,602,000	12,791,975
Additions	-	3,038,325
Disposals	-	(5,228,322)
Change in fair value	1,833,000	22
Balance at the end of the year	12,435,000	10,602,000

As of December 31, 2013, the fair value of Group's investment properties is as per independent valuers.

The Group's management has complied with Capital Market Authority decision dated July 23, 2012 with respect to guideline for fair value of investment properties.

During year ended December 31, 2012, the Group sold investment properties for an amount of KD 7,394,064 resulting in a gain of KD 2,165,742.

As of December 31, 2012, investment properties with a book value amounting to KD 3,750,000 are pledged for local bank against term loan (Note 9).

In estimating the fair value of investment properties, the Group had used discounted cash flow method and market sales method; considering the nature and usage of the investment properties.

Following is the description of valuation techniques used and key inputs to valuation:

<u>Class of investment property</u>	<u>Valuation technique</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Vacant lands	Discounted cash flows	-	3,405,000	3,405,000
Residential investment properties	Market sales method	9,030,000	-	9,030,000
		9,030,000	3,405,000	12,435,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

8. Discontinued operations

The Extra Ordinary General Assembly of Alroya International Real Estate Company - K.S.C (Closed) "Subsidiary" owned by the Parent Company by 97.55% approved the Company's liquidation procedures on April 3, 2013, which resulted in presentation of the financial information for that subsidiary as discontinued operations. The financial information related to that subsidiary is as follows:

Statement of financial position:

Assets

Cash on hand and at bank

Total assets

2013	2012
-	156,701
-	156,701

Liabilities

Other credit balances

Total liabilities

2013	2012
-	1,329
-	1,329

Statement of profit or loss:

Net real estate's rental income

Realized gain from sale of investments available for sale

Impairment loss for investments available for sale

Dividend income

General and administrative expenses

Contribution to Zakat

(Loss) profit for the year from discontinued operations

2013	2012
-	55,475
-	6,529
-	(12,415)
-	14,000
(4,061)	(16,971)
-	(204)
(4,061)	46,414

The cash flows related to the discontinued subsidiary are as follow:

Net cash used in operating activities

Net cash generated from investing activities

2013	2012
(156,701)	(63,541)
-	182,489

As on December 15, 2013, the company had been fully liquidated.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

9. Term loan

The balance represents by loan granted to the Parent Company by a local bank with an interest rate of 3% per annum over the Central Bank of Kuwait discount rate, secured by mortgage of investment properties with book value amounting to KD 3,750,000 (Note 7).

10. Provision for end of service indemnity

	2013	2012
Balance at the beginning of the year	12,859	90,343
Charge for the year	13,829	15,960
Paid during the year	-	(93,444)
Provision no longer required	(3,077)	-
Balance at the end of the year	23,611	12,859

11. Accounts payable and other credit balances

	2013	2012
Due to contractors (a)	224,661	224,661
NLST payable	62,648	56,477
Accrued expenses	42,128	45,419
Board of Directors' remunerations payable	30,000	30,000
Trade payables	27,147	11,312
Tenants' deposits	25,005	22,545
Zakat payable	23,831	21,574
KFAS payable	16,364	1,065
Accrued leave	13,323	6,585
Rent received in advance	11,425	11,220
	476,532	430,858

Due to contractors balance is related to maintenance and supervision expenses and other expenses obligated to the contractor of the investment property of the Subsidiary. The balance includes provision estimated by the Subsidiary's management for conservative purposes against legal cases raised by others for any future obligations.

Trade payables are non-interest bearing. There is no material difference between the fair value and carrying value of accounts payable and other credit balances as at December 31, 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

12. Share capital

The Parent Company's authorized, issued and paid-up capital consist of 234,250,000 shares (2012 - 234,250,000 shares) of par value of 100 Kuwaiti fils each, and all shares are in cash.

13. Share premium

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

14. Treasury shares

	2013	2012
Number of treasury shares (share)	5,282,110	5,282,110
Percentage to issued shares (%)	2.25%	2.25%
Market value (KD)	496,518	496,518
Cost (KD)	481,746	481,746

According to decision of Capital Markets Authority on December 30, 2013, the management of the Parent Company have allotted part of the reserves equal to the balance of treasury shares as at the date of consolidated financial statements. This balance not to be distributed throughout the period at which the Group keeping treasury shares.

15. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat and after setting off accumulated losses is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

16. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST and Zakat and after setting off accumulated losses is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

17. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, associates, key management personnel and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party balances and transactions are as follows:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

17. Related party disclosures (continued)

Consolidated statement of financial position:

Due from related party

	Nature of relationship	2013	2012
Al Barsha Real Estate Company - K.S.C. (Closed) (Note 4)	Associate	3,000	3,020

Transactions included in the consolidated statement of profit or loss:

	2013	2012
Shareholders' management fees	-	1,021
Associate's properties management fees	18,000	12,000

Key management compensation

	2013	2012
Short-term benefits	87,329	61,491
Post-employment benefits	9,173	5,812
Board of Directors' remuneration	30,000	30,000
	126,502	97,303

18. General and administrative expenses

General and administrative expenses include staff costs amounting to KD 221,914 (2012 – KD 200,965).

19. Contribution to Kuwait Foundation for the Advancement of Sciences

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding associates and transfer to statutory reserve and accumulated losses.

No KFAS has been provided for the year ended December 31, 2012, since there was no profit on which KFAS could be calculated.

20. National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% on the consolidated profit of the Company after deducting its share of cash dividends received from listed companies subject to the same law in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

21. Contribution to Zakat

Contribution to Zakat is calculated at 1% on the consolidated profit of the Company after deducting its share of profit from Kuwaiti shareholding associates subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies subject to the same law in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

22. Earnings (loss) per share

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings (loss) per share based on the weighted average number of shares outstanding during the year is as follows:

Earnings per share from continuing operations:

	2013	2012
Net profit for the year from continuing operations attributable to Shareholders of the Parent Company	2,333,850	2,173,029
Number of outstanding shares	234,250,000	234,250,000
Less: weighted average number of treasury shares	(5,282,110)	(4,187,909)
Weighted average number of shares outstanding	228,967,890	230,062,091
Earnings per share from continuing operations (fils)	10.19	9.45

(Loss) earnings per share from discontinued operations:

	2013	2012
Net (loss) profit for the year from discontinued operations attributable to Shareholders of the Parent Company	(3,962)	45,277
Number of outstanding shares	234,250,000	234,250,000
Less: weighted average number of treasury shares	(5,282,110)	(4,187,909)
Weighted average number of shares outstanding	228,967,890	230,062,091
(Loss) earnings per share from discontinued operations (fils)	(0.02)	0.19

23. Proposed cash dividends

The Parent Company's Board of Directors held on February 3, 2014 has proposed to distribute cash dividends at 5% of the capital for the year ended December 31, 2013, also proposed remuneration for the Board of Directors' amounted to KD 30,000. These proposals are subject to the approval of the Shareholders' General Assembly.

The Parent Company's Shareholders' General Assembly Meeting held on April 23, 2013 had approved not to distribute cash dividends or bonus shares and distribute KD 30,000 as remuneration for Board of Directors' for the year ended December 31, 2012.

24. Segment information

The Group is organized into functional divisions to manage its various lines of business. The Group operates mainly in the State of Kuwait. For the purposes of segment reporting, the Group's management has grouped its products and services into the following business segments:

- Real estate segment
- Investments segment
- Other segments



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

24. Segment information (continued)

Details of the above segments, which constitute the segment information, are as follows:

<u>For the year ended December 31,2013</u>	Real estate segment	Investments segment	Other	Total
Real estate's rental income	595,216	-	-	595,216
Real estate's operating expenses	(29,800)	-	-	(29,800)
Net real estate's rental income	565,416	-	-	565,416
Group's share of results from associates	-	58,777	-	58,777
Gain on sale of associate	-	73,001	-	73,001
Change in fair value of investment properties	1,833,000	-	-	1,833,000
Net operating income	2,398,416	131,778	-	2,530,194
Other income	-	-	25,898	25,898
Interest income	-	-	78,895	78,895
Realized gain from sale of investments available for sale	-	237,759	-	237,759
Impairment loss for investments available for sale	-	(121,360)	-	(121,360)
Dividend income	-	35,000	-	35,000
Depreciation	-	-	(9,478)	(9,478)
General and administrative expenses	-	-	(333,640)	(333,640)
Finance charges	-	-	(403)	(403)
Foreign currency exchange	-	-	22,035	22,035
Contribution to Kuwait Foundation for the Advancement of Sciences	-	-	(15,299)	(15,299)
National Labor Support Tax	-	-	(61,868)	(61,868)
Contribution to Zakat	-	-	(23,828)	(23,828)
Board of Directors' remuneration	-	-	(30,000)	(30,000)
Non - controlling interests	-	-	44	44
Net loss for the year from discontinued operations	-	-	(4,061)	(4,061)
Net profit (loss) for the year attributable to the Parent Company's Shareholders	<u>2,398,416</u>	<u>283,177</u>	<u>(351,705)</u>	<u>2,329,888</u>
Other information:				
Segment assets	<u>12,435,000</u>	<u>2,519,191</u>	<u>11,600,936</u>	<u>26,555,127</u>
Segment liabilities	<u>288,238</u>	<u>-</u>	<u>211,905</u>	<u>500,143</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

24. Segment information (continued)

For the year ended December 31, 2012	Real estate segment	Investments segment	Other	Total
Real estate's rental income	374,481	-	-	374,481
Real estate's operating expenses	(43,872)	-	-	(43,872)
Net real estate's rental income	330,609	-	-	330,609
Group's share of results from associates	-	87,981	-	87,981
Change in fair value of investment properties	22	-	-	22
Gain on sale of investment properties	2,165,742	-	-	2,165,742
Net operating income	2,496,373	87,981	-	2,584,354
Other income	-	-	35,037	35,037
Interest income	-	-	31,520	31,520
Realized gain from sale of investments available for sale	-	19,380	-	19,380
Impairment loss for investments available for sale	-	(115,381)	-	(115,381)
Dividend income	-	41,199	-	41,199
Depreciation	-	-	(5,699)	(5,699)
General and administrative expenses	-	-	(277,088)	(277,088)
Finance charges	-	-	(32,930)	(32,930)
Foreign currency exchange	-	-	(57)	(57)
National Labor Support Tax	-	-	(55,697)	(55,697)
Contribution to Zakat	-	-	(21,574)	(21,574)
Board of Directors' remuneration	-	-	(30,000)	(30,000)
Non-controlling interests	-	-	(1,172)	(1,172)
Net profit for the year from discontinued operations	-	-	46,414	46,414
Net profit (loss) for the year attributable to the Parent Company's Shareholders	<u>2,496,373</u>	<u>33,179</u>	<u>(311,246)</u>	<u>2,218,306</u>
Other information:				
Segment assets	<u>10,602,000</u>	<u>7,574,857</u>	<u>6,069,565</u>	<u>24,246,422</u>
Segment liabilities	<u>235,881</u>	<u>-</u>	<u>239,165</u>	<u>475,046</u>



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25. Financial Risk Management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, investments available for sale, term loan and accounts payable as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

Interest rate risk:

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are re priced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on floating rate borrowings).

	Increase / (Decrease) in interest rate	Balance	Effect on consolidated statement of profit or loss
2012			
Term loan	± 50 basis points	30,000	± 150

The above table is based on the assumptions relating to the outstanding term loan balances as on December 31 and the sensitivity on account of change in interest rates.

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. Financial assets, which potentially subject the Group to credit risk, consist principally of cash and cash equivalents. The Group's cash and cash equivalents is placed with high credit rating financial institutions.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents and due from related party.

Foreign currency risk:

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between the US dollar and Kuwaiti Dinar.

	Increase / (decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss and other comprehensive income
2013		
US Dollar	± 5%	±17,112
2012		
US Dollar	± 5%	±23,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

25. Financial Risk Management (continued)

Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk the Group periodically assesses the financial viability of customers and invests in bank deposits.

The maturity profile of financial liabilities was as flows:

	1 – 3 months	3 – 12 months	Total
2013			
Accounts payable and other credit balances	213,043	263,489	476,532
2012			
Term loan	-	30,000	30,000
Accounts payable and other credit balances	191,695	240,492	432,187
	191,695	270,492	462,187

Equity price risk:

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investments in equity securities classified as available for sale.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31:

Market indices	Change in equity price %	Effect on consolidated statement of profit or loss and other comprehensive income	
		2013	2012
KSE	± 5%	-	±23,297

Fair value measurement:

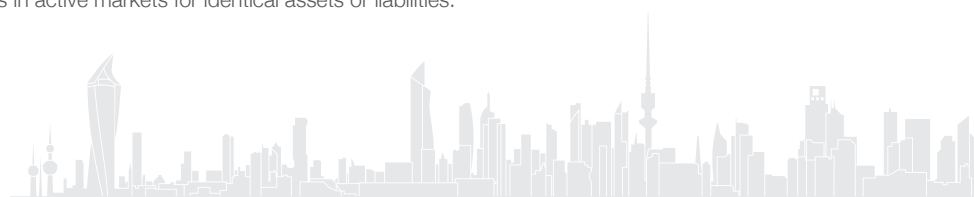
The Group measures financial assets such as investments available for sale investments and non – financial assets such as investment properties at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

25. Financial Risk Management (continued)

Fair value measurement: (continued)

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table presents the Group's investments that are measured at fair value:

2013	Fair value measurement		Total
	Level 1	Level 2	
Investments available for sale	-	342,236	342,236

The following table presents the Group's investments that are measured at fair value at December 31, 2012:

2012	Fair value measurement		Total
	Level 1	Level 2	
Investments available for sale	465,945	463,596	929,541

At December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note (5). The management of the Group has assessed that fair value of cash and cash equivalents, term loan and payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2 and Level 3.

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

The fair value details of investment properties are mentioned in Note (7).

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At 31 December 2013 (All Amounts are in Kuwaiti Dinars)

26. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell some assets to reduce debt, repay of loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short term and long term loans as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

27. Comparative figures

Certain of the prior year amounts have been reclassified to conform with financial reporting standards for discontinued operations (Note 8).





2287	3305	149804	324	3699	155080	390	7	119	195
139	241	1209	241	1209	241	1209	241	1209	241