Consolidated financial statements and independent auditors' report

Al Mal Investment Company – KPSC and subsidiaries

Kuwait

31 December 2013

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Independent auditors' report

To the shareholders of
Al Mal Investment Company – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Mal Investment Company – (Kuwaiti Public Shareholding Company) and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use by the state of Kuwait and, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Al Mal Investment Company and its subsidiaries as at 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the state of Kuwait.

Emphasis of matter

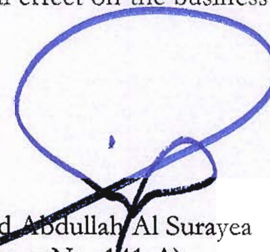
Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which states that the Group incurred a loss of KD10,647,237 for the year ended 31 December 2013 and as of that date has accumulated losses of KD22,651,149. Furthermore, the Group is actively engaged with its lenders to restructure certain debt obligations due to either the default on the repayment of such obligations or where such obligations have become due/matured. These conditions along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Groups ability to continue as a going concern.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012 and by the Company's articles and memorandum of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 nor of the Company's articles and memorandum of association, as amended, have occurred during the year ended 31 December 2013 that might have had a material effect on the business or financial position of the Company.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any material violations, of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2013, that might have had a material effect on the business of the Group or on its financial position.

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



Hend Abdullah Al Surayea
(Licence No. 141-A)
of MAZARS – Chartered Accountants

Kuwait
14 May 2014

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Income			
Realised loss on disposal of investments at fair value through profit or loss		(32,055)	-
Unrealised loss from investments at fair value through profit or loss		(825,000)	(23,810)
Realised loss on disposal of available for sale investments	17	(1,544,994)	(1,354,197)
Dividend income		420,652	1,015,325
Net income from communication services	9	432,173	(2,348)
Management fees and other income	10	851,324	909,253
Share of results of associates	19	202,187	3,100,985
Change in fair value of investment properties	20	(532,848)	1,974,667
Gain on sale of property & equipment	21	593,171	-
Sukuk & interest income		318,938	605,329
Foreign exchange gain		162,706	125,880
		46,254	6,351,084
Expenses and other charges			
Finance costs	12	3,544,905	4,115,318
Staff costs		1,108,181	1,168,905
General, administrative and other expenses		723,958	872,371
Impairment of investment in sukuk	18	2,682,390	-
Impairment of available for sale investments	17.4	180,155	343,363
Impairment of investment in associates	19.4	691,955	1,229,628
Impairment of receivables and other assets	16	1,761,947	4,635,175
		10,693,491	12,364,760
Loss for the year		(10,647,237)	(6,013,676)
Attributable to :			
Owners of the parent company		(9,377,925)	(6,171,070)
Non-controlling interests		(1,269,312)	157,394
		(10,647,237)	(6,013,676)
Basic and diluted loss per share attributable to the owners of the Parent Company	13	(17.75) Fils	(11.68) Fils

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

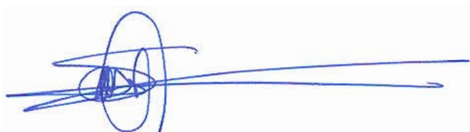
Consolidated statement of comprehensive income

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Loss for the year	(10,647,237)	(6,013,676)
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	(656,075)	(201,906)
Available for sale investments:		
- Net changes in fair value arising during the year	(383,258)	59,116
- Transferred to consolidated statement of profit or loss on disposal	(736,185)	550,313
- Transferred to consolidated statement of profit or loss on impairment	180,155	343,363
Share of other comprehensive income of associates	67,387	(78,936)
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	(1,527,976)	671,950
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	-	-
Total other comprehensive income for the year	(1,527,976)	671,950
Total comprehensive income for the year	(12,175,213)	(5,341,726)
Total comprehensive income attributable to:		
Owners of the parent company	(10,900,517)	(5,468,211)
Non-controlling interests	(1,274,696)	126,485
	(12,175,213)	(5,341,726)

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2013 KD	31 Dec. 2012 KD
Assets			
Cash and cash equivalents	14	5,248,316	7,230,153
Investments at fair value through profit or loss	15	796,942	1,793,118
Accounts receivable and other assets	16	20,186,473	19,626,215
Available for sale investments	17	8,343,759	15,372,870
Investment in sukuk	18	3,897,714	6,369,397
Investment in associates	19	12,487,150	11,805,998
Investment properties	20	74,861,147	74,299,817
Property and equipment	21	37,599	926,355
Goodwill		90,332	90,332
Total assets		125,949,432	137,514,255
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	22	12,905,963	22,683,047
Borrowings	23	58,427,936	47,687,664
Bonds issued	24	11,988,000	11,988,000
Employees' end of service indemnity		351,213	417,900
Total liabilities		83,673,112	82,776,611
Equity			
Share capital	25	52,828,125	52,828,125
Foreign currency translation reserve	26	(815,385)	(227,029)
Cumulative changes in fair value	26	499,433	1,433,669
Accumulated losses		(22,651,149)	(13,273,224)
Equity attributable to owners of the parent company		29,861,024	40,761,541
Non-controlling interests	26	12,415,296	13,976,103
Total equity		42,276,320	54,737,644
Total liabilities and equity		125,949,432	137,514,255



Fahad Mohammad Al-Sharekh
Chairman

Abdul Wahab Al-Mutawa
Chief Executive Officer

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the parent company								Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Cumulative changes in fair value	Accumulated losses	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2013	52,828,125	-	-	-	(227,029)	1,433,669	(13,273,224)	40,761,541	13,976,103	54,737,644
Amount due to non-controlling interest on reduction of share capital by subsidiary	-	-	-	-	-	-	-	-	(286,111)	(286,111)
Transaction with owners	-	-	-	-	-	-	-	-	(286,111)	(286,111)
Loss for the year	-	-	-	-	-	-	(9,377,925)	(9,377,925)	(1,269,312)	(10,647,237)
Other comprehensive income for the year	-	-	-	-	(588,356)	(934,236)	-	(1,522,592)	(5,384)	(1,527,976)
Total comprehensive income for the year	-	-	-	-	(588,356)	(934,236)	(9,377,925)	(10,900,517)	(1,274,696)	(12,175,213)
Balance as at 31 December 2013	52,828,125	-	-	-	(815,385)	499,433	(22,651,149)	29,861,024	12,415,296	42,276,320

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent company								Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Cumulative changes in fair value	Accumulated losses	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2012	52,828,125	18,375,000	4,802,301	4,802,301	22,904	480,877	(35,081,756)	46,229,752	13,849,618	60,079,370
Set off losses (note 25)	-	(18,375,000)	(4,802,301)	(4,802,301)	-	-	27,979,602	-	-	-
Loss for the year	-	-	-	-	-	-	(6,171,070)	(6,171,070)	157,394	(6,013,676)
Other comprehensive income for the year	-	-	-	-	(249,933)	952,792	-	702,859	(30,909)	671,950
Total comprehensive income for the year	-	-	-	-	(249,933)	952,792	(6,171,070)	(5,468,211)	126,485	(5,341,726)
Balance as at 31 December 2012	52,828,125	-	-	-	(227,029)	1,433,669	(13,273,224)	40,761,541	13,976,103	54,737,644

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
OPERATING ACTIVITIES			
Loss for the year		(10,647,237)	(6,013,676)
Adjustments for:			
Impairment of available for sale investments		180,155	343,363
Impairment of receivables and other assets		1,761,947	4,635,175
Impairment of investment in sukuk		2,682,390	-
Impairment of investment in associates		691,955	1,229,628
Gain on sale of property and equipment		(593,171)	-
Change in fair value of investment properties		532,848	(1,974,667)
Realised loss on disposal of available for sale investments		1,544,994	1,354,197
Dividend income		(420,652)	(1,015,325)
Share of results of associates		(202,187)	(3,100,985)
Depreciation		33,003	81,432
Provision for employees end of service benefits		69,774	103,906
Sukuk and interest income		(318,938)	(605,329)
Finance costs		3,544,905	4,115,318
		(1,140,214)	(846,963)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		996,176	(7,845)
Accounts receivable and other assets		(2,049,616)	2,111,371
Accounts payable and other liabilities		(11,320,079)	1,044,169
Cash (used in)/from operations		(13,513,733)	2,300,732
Employee end of service benefits paid		(136,461)	(149,461)
Net cash (used in)/from operating activities		(13,650,194)	2,151,271
INVESTING ACTIVITIES			
Addition to available for sale investments		(187,000)	-
Proceeds from sale/redemption of available for sale investments		4,416,108	5,076,273
Net change in sukuk		(210,707)	(196,872)
Additions to property and equipment		(9,143)	(48,766)
Proceeds from sale of property and equipment		1,458,067	-
Additions to investment properties		(572,690)	-
Additions to investment in associates		(1,555,400)	(3,894,240)
Dividend received and return of capital from associates		45,852	83,121
Dividend income received		420,652	1,015,325
Sukuk and Interest income received		1,760	293,178
Net cash from investing activities		3,807,499	2,328,019
FINANCING ACTIVITIES			
Change in blocked deposits		1,900,000	-
Proceeds from borrowings		11,489,105	-
Repayment of borrowings and bonds		(1,523,218)	(1,425,012)
Finance costs paid		(2,105,029)	(4,057,857)
Net cash from/(used in) financing activities		9,760,858	(5,482,869)
Net decrease in cash and cash equivalents		(81,837)	(1,003,579)
Cash and cash equivalents at beginning of the year		5,330,153	6,333,732
Cash and cash equivalents at end of the year	14	5,248,316	5,330,153

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Al Mal Investment Company – KPSC, ("the parent company"), is a Kuwaiti Public Shareholding Company established on 2 January 1980 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait and the Capital Market Authority as an investment company and its shares are listed on the Kuwait Stock Exchange. The parent company and its subsidiaries (listed in note 7) are together referred as "the Group".

The principal objectives of the parent company are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;

- Act as investment trustees and manage different investment portfolios for others; and

- Act as intermediary in borrowing operations in return for commission;

Further, the Parent Company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013.

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

The address of the parent company's registered office is Arabian Gulf Street, Ahmed Tower, Floor 23, PO Box 26308, Safat 13124, State of Kuwait.

The board of directors authorised these consolidated financial statements for issue on 14 May 2014 The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Fundamental accounting concept

For the year ended 31 December 2013, the Group incurred a loss of KD10,647,237 (KD9,377,925 attributable to owners of the Parent Company) and as at that date the Group's accumulated losses amounted to KD22,651,149 and the Group had liabilities of KD83,673,112 majority of which are due within one year. Furthermore, as noted in note 23, bank loans and Islamic debt instruments totalling to KD3,600,000 and KD11,000,000 respectively, of the Group have matured/become due as of the reporting date and further the Group defaulted on repayment of the Bonds issued and accrued interest due which has resulted in the total amount of KD11,988,000 becoming due (refer note 24). As noted in note 23.3 one of the lenders to whom an amount of KD3,600,000 is due has also initiated legal proceedings to foreclose on the Parent Company.

The factors mentioned above cast significant doubt about the Groups ability to continue as a going concern and its ability to realize its assets and discharge its liabilities in the normal course of business.

The management of the Parent Company have taken a number of steps, to regularize/manage the Groups obligations, obtain longer term funding and to improve operations and generating cash flows, some of which are described below.

Notes to the consolidated financial statements (continued)

2 Fundamental accounting concept (continued)

- As noted in note 23, the management of the Parent Company is actively pursuing the restructuring of the above mentioned debt obligations with the related financial institutions which is expected to be completed within six to twelve months. Further the management of the Parent Company is engaged in discussions with all lenders to whom amounts are due, to restructure the dues including discussion with the lender who has initiated legal proceeding for the withdrawal of the lawsuit initiated by them. (refer note 23.3).

- As noted in note 24, the management of the Parent Company has requested a meeting with the bondholders on 10 November 2013 to extend the maturity of the bonds. On 17 November 2013, a meeting was held and a decision could not be taken on the extension of the bonds as the legally established percentage was not met and therefore the bonds remain due as of the maturity date.

- The parent company's management is evaluating various strategies to improve the operating performance, financial position, and adequacy of financial resources of the Group (including a plan to exit certain investments) to enable to meet its future obligations on due dates. As the Groups total assets exceeded its liabilities by KD42,276,320 the Parent Company's management believes the Group has adequate resources to meet its obligations in future, if an effective strategy is implemented to utilize such assets in future and /or exit at the right time.

The ability of the Group to continue as a going concern is dependent on availability of the continued support from the financial institutions and Bondholders (i.e rescheduling of the profit/interest bearing borrowings and Bonds mentioned in note 23 and 24), related parties and shareholders and the ability of the Group to improve future profitability and cash flows. The management of the parent company are in negotiations and discussions with the lenders and is confident of the positive outcome of the discussions with the lenders and the debt reconstructing plan, and therefore, has prepared the consolidated financial statements under the going concern concept of accounting.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts or to the amount of liabilities to reflect the fact that the Group may be required to realize its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the consolidated financial statements.

3 Basis of preparation

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

The consolidated financial statements are presented in Kuwaiti Dinars (KD).

The group has elected to present the "statement of comprehensive income" in two statements: the "statement of profit or loss" and a "statement of comprehensive income".

4 Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990, as modified by the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait.

Notes to the consolidated financial statements (continued)

4 Statement of compliance (continued)

These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

5 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year, except for a new accounting policy for Ijara financing and adoption of new and amended standards discussed below:

5.1 New and amended standards adopted by the Group

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities has resulted in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

Standard	*Effective for annual periods beginning*
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements	1 January 2013
IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
Annual Improvements 2009-2011	1 January 2013

IAS 1 Presentation of Financial Statements

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

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

b) That will not be reclassified to consolidated statement of profit or loss subsequently.

The amendments to IAS 1 changed the current presentation of the consolidated statement of comprehensive income of the Group; however the amendment affected presentation only and had no impact on the Group's financial position or performance.

Notes to the consolidated financial statements (continued)

5 Changes in accounting policies (continued)

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

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. It revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. To meet the definition of control in IFRS 10, all nine criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same. IFRS 10 did not change the classification (as subsidiaries or otherwise) of any of the Group's existing investees.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. As a consequence of the new IFRS 11, IAS 28 brings investments in joint ventures into its scope, however, the equity accounting methodology under IAS 28 remains unchanged.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. IFRS 12 disclosures are provided in Note 8 and 19.

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

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7, 'Financial Instruments; Disclosures'.

The group has applied IFRS 13 for the first time in the current year, see Note 29.

Notes to the consolidated financial statements (continued)

5 Changes in accounting policies (continued)

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

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

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

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

Annual Improvements 2009-2011 (the Annual Improvements)

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

Clarification of the requirements for opening statement of financial position (amendments to IAS 1):

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

Clarification of the requirements for comparative information provided beyond minimum requirements (amendments to IAS 1):

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

5.2 IASB Standards issued but not yet effective

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

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

Standard	*Effective for annual periods beginning*
IAS 32 Financial Instruments: Presentation – amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
IFRS 9 Financial Instruments	To be determined
IFRIC 21 Levies	1 January 2014

Notes to the consolidated financial statements (continued)

5 Changes in accounting policies (continued)

5.2 IASB Standards issued but not yet effective (continued)

5.2.1 IAS 32 Financial Instruments: Presentation - Amendments

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

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

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

5.2.2 IAS 36 Impairment of Assets- Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014. Management does not anticipate a material impact on the group's consolidated financial statements from these amendments.

5.2.3 IFRS 9 Financial Instruments

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

Further, in November 2013, the IASB made limited modifications to IFRS 9's financial asset classification model to address application issues. Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

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

5.2.4 IFRIC 21 Levies

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred.

IFRIC 21 provides the following guidance on recognition of a liability to pay levies, a) the liability is recognised progressively if the obligating event occurs over a period of time, and b) if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The Group is not currently subjected to any significant levies so this amendment is not expected to have a significant impact on the Group's financial statements. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014.

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

6.1 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries. Subsidiaries are all entitities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 8 to the consolidated financial statements.

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

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary , as applicable.

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

6.2 Business combinations

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

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies (continued)

6.2 Business combinations (continued)

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensives income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

6.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 6 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 6.12 for a description of impairment testing procedures.

6.4 Investment in associates

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

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

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

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies (continued)

6.4 Investment in associates (continued)

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

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

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

6.5 Segment reporting

The Group has three operating segments: Investment, real estate and finance segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

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

6.6 Revenue

Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. The following specific recognition criteria should also be met before revenue is recognised;

6.6.1 Rendering of services

The Group earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

- *Fee income from providing transaction services*

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

The Group also earns income from communication services (from Tarasul Telecom) and are recorded when services are rendered.

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies (continued)

6.6 Revenue (continued)

6.6.2 Interest and sukuk income

Sukuk and interest income are recognised on a time proportion basis using effective interest method.

6.6.3 Revenue from sale of investment properties

Revenue from sale of investment properties is recognised on completion of sale contract and after transferring the risk and rewards associated with the Real Estate to the purchaser and the amount of revenue can be reliably measured.

6.6.4 Dividend income

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

6.7 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

6.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

6.9 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. The group depreciates its property and equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

6.10 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

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

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

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies (continued)

6.11 Impairment testing of goodwill and non financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

6.12 Financial instruments

6.12.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

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

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

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies (continued)

6.12 Financial instrument (continued)

6.12.1 Recognition, initial measurement and derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

6.12.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

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

All significant income and expenses relating to financial assets that are recognised in profit or loss are presented, under separate headings in the consolidated statement of profit or loss.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

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

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

The Group categorises loans and receivables into following categories:

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies (continued)

6.12 Financial instrument (continued)

6.12.2 Classification and subsequent measurement of financial assets (continued)

- *Investment in sukuk*

Investment in sukuk comprise investment in Islamic convertible debts instruments issued by a foreign real estate entity.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- *Receivables and other financial assets*

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

Loans and receivables which are not categorised under any of the above are classified as "other receivables/other assets".

- *Financial assets at* FVTPL

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. Investments at FVTPL are either "held for trading" or "designated" as such on initial recognition.

The group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss except for financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- *AFS financial assets*

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

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

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies (continued)

6.12 Financial instrument (continued)

6.12.2 Classification and subsequent measurement of financial assets (continued)

- *AFS financial assets*

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

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

6.12.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, bonds issued and accounts payable and other liabilities The subsequent measurement of financial liabilities depends on their classification.

The Group classifies all its financial liabilities as "financial liabilities other than at fair value through profit or loss (FVTPL).

- *Financial liabilities other than at fair value through profit or loss (FVTPL)*

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- *Borrowings*

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Bonds issued*

Bonds are carried on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

- *Ijara financing*

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

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "accounts payable and other liabilities"

All interest-related charges are included within finance costs or interest income.

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies (continued)

6.12 Financial instrument (continued)

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

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

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

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

6.13 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the parent company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Cumulative changes in fair value reserve – comprises gains and losses relating to available for sale financial assets

Accumulated losses includes all current and prior period losses. All transactions with owners of the parent are recorded separately within equity.

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

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies (continued)

6.14 Treasury shares

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

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

6.15 Provisions, contingent assets and contingent liabilities

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

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

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

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

6.16 Foreign currency translation

6.16.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

6.16.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

Notes to the consolidated financial statements (continued)

6 Summary of significant accounting policies (continued)

6.16 Foreign currency translation (continued)

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

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

6.17 End of service indemnity
The parent and its local subsidiaries provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

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

6.18 Taxation

6.18.1 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

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

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

For the year ended 31 December 2013 and 2012, the Parent Company has no liability towards NLST, KFAS and Zakat due to losses incurred. Under the NLST, KFAS and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

6.18.4 Fiduciary assets
Assets held in a trust or fiduciary capacity are not treated as assets of the group and, accordingly, they are not included in these consolidated financial statements.

Notes to the consolidated financial statements (continued)

7 Significant management judgements and estimation uncertainty

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

7.1. Significant management judgments

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

7.1.1. Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the statement of profit or loss or other comprehensive income.

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

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

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

All other financial assets are classified as available for sale.

7.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value.

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

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

7.1.3 Control assessment

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

Notes to the consolidated financial statements (continued)

7 Significant management judgements and estimation uncertainty (continued)

7.2. Estimates uncertainty

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

7.2.1 Impairment of goodwill and other intangible assets

The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

7.2.2. Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss. In 2013 the Group recognised an impairment loss on investment in associates (see note 19)

7.2.3. Impairment of available for sale equity investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In 2013 the Group recognised an impairment loss on available for sale investments (see note 17).

7.2.4 Impairment of loans and receivables

The group's management reviews periodically items classified as loans and receivables to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. In 2013 the Group recognised impairment losses on loans and receivables (see notes 16 and 18).

7.2.5. Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see notes 29).

7.2.6. Revaluation of investment properties

The group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

Notes to the consolidated financial statements (continued)

8 Subsidiary companies

8.1 Details of the Group's material consolidated subsidiaries which are directly owned by the Parent Company at the end of the reporting period are as follows:

Name of the subsidiary	Country of registration & Place of business	Proportion of ownership interest held by the Group 2013	2012	Nature of business
Tarasul Telecom Co. K.S.C (Closed)	Kuwait	**96.69%**	96.69%	Communication services
Diyar Al-Kuwait Real Estate Company – KSC (Closed)	Kuwait	**60.25%**	60.25%	Real estate development
Al Mal International for Project Management Co.- WLL	Kuwait	**80.00%**	80.00%	Real estate project management
Al Mal Qatari Holding Company – KSC (Closed)	Kuwait	**100%**	100%	Real estate project management
Safe Hands Holding Co. – BSC (Closed)	Bahrain	**60.72%**	60.72%	Health care
Saudi Al Mal Co. – WLL	Kingdom of Saudi Arabia	**100%**	100%	Investment activities

8.2 Subsidiaries with material non-controlling interests
The Group includes two subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit allocated to NCI		Accumulated NCI	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013 KD	31 Dec. 2012 KD	31 Dec. 2013 KD	31 Dec. 2012 KD
Diyar Al-Kuwait Real Estate Company KSCC (DKRE)	**39.75%**	39.75%	**(1,266,145)**	(194,892)	**2,439,865**	2,842,141
First Diyar Real Estate Company KSCC (FDRE) [subsidiary of Al Mal Qatari Holding Company KSCC]	**19.35%**	19.35%	**(233,261)**	378,188	**9,814,541**	10,910,200
Individually immaterial subsidiaries with non controlling interests			**230,094**	(25,902)	**160,890**	223,762
			(1,269,312)	157,394	**12,465,296**	13,976,103

Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 December 2013 DKRE KD	FDRE KD
Non-current assets	13,085,183	66,314,494
Current assets	6,515,561	2,707,563
Total assets	19,600,744	69,022,057
Non-current liabilities	2,822,010	-
Current liabilities	4,362,827	17,503,757
Total liabilities	7,184,837	17,503,757
Equity attributable to the shareholders of the parent company	7,473,062	41,549,509
Non-controlling interest	4,942,845	9,968,791

Notes to the consolidated financial statements (continued)

8 Subsidiary companies (continued)

8.2 Subsidiaries with material non-controlling interests (continued)

	31 December 2012	
	DKRE KD	FDRE KD
Non-current assets	9,008,830	66,123,889
Current assets	15,577,405	269
Total assets	24,586,235	66,124,158
Non-current liabilities	2,657,050	-
Current liabilities	6,088,163	13,400,375
Total liabilities	8,745,213	13,400,375
Equity attributable to the shareholders of the parent company	9,501,465	42,521,731
Non-controlling interest	6,339,557	10,202,052

	For the year ended 31 December 2013	
	DKRE KD	FDRE KD
Loss for the year attributable to the shareholders of the parent company	(1,837,650)	(972,222)
Loss for the year attributable to NCI	(1,266,145)	(233,261)
Loss for the year	(3,103,795)	(1,205,483)
Other comprehensive income for the year attributable to the shareholders of the parent company	(190,753)	-
Other comprehensive income for the year attributable to NCI	(130,567)	-
Total other comprehensive income for the year	(321,320)	-
Total comprehensive income for the year attributable to the shareholders of the parent company	(2,028,403)	(972,222)
Total comprehensive income for the year attributable to NCI	(1,396,712)	(233,261)
Total comprehensive income for the year	(3,425,115)	(1,205,483)

Notes to the consolidated financial statements (continued)

8 Subsidiary companies (continued)

8.2 Subsidiaries with material non-controlling interests (continued)

	For the year ended 31 December 2012	
	DKRE KD	FDRE KD
Profit for the year attributable to the shareholders of the parent company	(198,958)	1,576,270
Profit for the year attributable to NCI	(194,892)	378,188
Profit for the year	(393,850)	1,954,458
Other comprehensive income for the year attributable to the shareholders of the parent company	(7,950)	-
Other comprehensive income for the year attributable to NCI	(4,305)	-
Total other comprehensive income for the year	(12,255)	-
Total comprehensive income for the year attributable to the shareholders of the parent company	(206,908)	1,576,270
Total comprehensive income for the year attributable to NCI	(199,197)	378,188
Total comprehensive income for the year	(406,105)	1,954,458

	For the year ended 31 December 2013	
	DKRE KD	FDRE KD
Net cash flow from operating activities	(57,352)	(8,215,007)
Net cash flow from investing activities	1,985,749	(571,815)
Net cash flow from financing activities	(1,900,000)	11,489,105
Net cash inflow	28,397	2,702,283

	For the year ended 31 December 2012	
	DKRE KD	FDRE KD
Net cash flow from operating activities	197,559	(15)
Net cash flow from investing activities	32,009	-
Net cash flow from financing activities	(587,037)	-
Net cash inflow	(357,469)	(15)

Notes to the consolidated financial statements (continued)

9 Net income from communication services

	2013 KD	2012 KD
Subscription, activation and installation income	421,844	587,328
Hardware and software sales and project/maintenance income	2,303,897	24,004
	2,725,741	611,332
Direct operating costs	(2,293,568)	(613,680)
	432,173	(2,348)

10 Management fees and other income

	2013 KD	2012 KD
Management and consultancy fees	283,230	366,523
Rent income	544,240	537,307
Other income	23,854	5,423
	851,324	909,253

11 Net loss or gain on financial assets

Net loss or gain on financial assets, analysed by category, is as follows:

	2013 KD	2012 KD
Receivables		
- bank balances and short term deposits	35,970	40,829
- Investment in sukuk	282,968	564,500
- Impairment of receivables and other assets	(1,761,947)	(4,635,175)
- Impairment of investment in Sukuk	(2,682,390)	-
Assets at fair value through profit or loss:		
- held for trading	-	(7,054)
- designated on initial recognition	(857,055)	-
Available for sale investments:		
- recognised directly in other comprehensive income(including minority share)	(939,288)	952,792
- recycled from other comprehensive income to consolidated statement of profit or loss		
• On impairment	(180,155)	(343,363)
• On disposal	736,185	(550,313)
- recognised directly in consolidated statement of profit or loss	(1,860,527)	194,685
	(7,226,239)	(3,783,099)
Net loss recognised in the consolidated statement of profit or loss	(6,286,951)	(4,735,891)
Net (loss)/gain recognised in other comprehensive income	(939,288)	952,792
	(7,226,239)	(3,783,099)

12 Finance costs

Finance costs relates mainly to borrowings and bonds issued. All these financial liabilities are stated at amortised cost.

Notes to the consolidated financial statements (continued)

13 Basic and diluted loss per share

Loss per share is calculated by dividing the loss for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year as follows:

	2013	2012
Loss for the year attributable to the owners of the parent company (KD)	(9,377,925)	(6,171,070)
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	528,281,250	528,281,250
Basic and diluted loss per share (Fils)	(17.75)	(11.68)

14 Cash and cash equivalents

	2013 KD	2012 KD
Cash and bank balances	3,335,929	2,854,151
Short term deposits	1,905,107	2,820,799
Cash balances with portfolio managers	7,280	1,555,203
Cash and cash equivalent as per consolidated statement of financial position	5,248,316	7,230,153
Less: Blocked balances *	-	(1,900,000)
Cash and cash equivalents as per consolidated statement of cash flow	5,248,316	5,330,153

* Short term deposits of KD Nil (31 December 2012: KD1,900,000) related to a subsidiary company are pledged against islamic debt instruments of the same subsidiary.

Short term deposits carry an average effective interest rate of 0.83% (2012: 1.08%).

15 Investments at fair value through profit or loss

	2013 KD	2012 KD
Designated on initial recognition :		
Managed portfolios and funds	-	171,159
- Local	-	-
- Foreign	-	171,159
Unquoted shares	796,942	1,621,959
- Local (15.1)	-	825,000
- Foreign (15.2)	796,942	796,959
	796,942	1,793,118

15.1 Band on the latest information available, The Group's management is of the view that the investment is irrecoverable and has decided to carry the investment at KD Nil as of 31 December 2013. The decline of KD825,000 was recognised under unrealised loss from investments at fair value through profit or loss in the statements of profit or loss.

15.2 Unquoted foreign shares represent investment in a GCC unlisted company. Due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value, the Group's management has decided to carry this investments based on the last carrying value stated by the portfolio manager in previous years, which would be deemed as this investment revised cost. The Group's management believes that the available information for the investment has not indicated any impairment in value.

Notes to the consolidated financial statements (continued)

16 Accounts receivable and other assets

	2013 KD	2012 KD
Advance payment to purchase investments	1,852,190	1,727,865
Refundable development expenses (16.2)	16,901,663	15,848,901
Due from related parties (net of provision)	241,067	219,410
Trade receivables	235,552	267,827
Accrued income & Dividends receivable	267,632	795,979
Cheques under collection in relation to proceeds on sale of investments	662,025	-
Other assets	26,344	766,233
	20,186,473	19,626,215

16.1 During the previous year the Parent Company's management has made a provision for the remaining project costs amounting to KD4,316,245 included in advance payment to purchase investments, which was paid for the purpose of constructing the infrastructure of a telecommunication project, and this was recognised in the statement of profit or loss of the previous year.

16.2 Refundable development expenses represent development cost incurred to develop an economic city in the Kingdom of Saudi Arabia jointly with the Saudi authorities. The parent company is the main developer for this project. A new shareholding company is being incorporated in Saudi Arabia to own and manage this project. The legal formalities are currently in process to establish that Saudi shareholding company. As per the agreement, with Saudi authority on incorporation of the Saudi shareholding company the total expenses incurred for the project will be re-reimbursed to the Group.

16.3 During the current year, the Group recognised an impairment provision of KD1,062,466 (31 December 2012: KD259,162) against accrued income related to investment in Sukuk which has not been received until the date of the consolidated statement of financial position. (refer note 18).

16.4 During the current year, the Group also recognised through a subsidiary an impairment provision of KD699,481 (31 December 2012: KD Nil) against advance payment to one of the former partners of that subsidiary to purchase land in Iraq, and this agreement was done by the former management in 2003.

17 Available for sale investments

	2013 KD	2012 KD
Investments in unquoted shares	5,719,133	6,359,388
- Local	2,608,147	2,585,275
- Foreign	3,110,986	3,774,113
Investments in private equity funds	1,432,007	5,158,450
- Foreign	1,432,007	5,158,450
Investments in direct equity funds	980,146	3,545,723
- Local	898,551	769,361
- Foreign	81,595	2,776,362
Investments in portfolios managed by others	212,473	309,309
- Local	64,626	64,622
- Foreign	147,847	244,687
	8,343,759	15,372,870

17.1 Available for sale investments include investments of KD4,117,074 (31 December 2012: KD2,442,965), carried at cost less impairment, if any, due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value.

Notes to the consolidated financial statements (continued)

17 Available for sale investments (continued)

17.2 Information for investments in private equity funds and direct equity funds is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

17.3 Investments in unquoted shares include investments with a carrying value of KD469,634 which has been blocked against borrowings due to a legal case initiated by one of the lender's (refer 23.3).

17.4 During the year, the group recognised an impairment loss of KD180,155 for certain local and other foreign unquoted investments (2012: KD343,363), based on estimates made by management and the net asset values reported by investment managers at the reporting date.

17.5 During the year, the Group disposed investments in three direct equity funds for consideration of KD1,845,579 realizing a net gain of KD97,362.

17.6 During the year, the Group disposed an unquoted local investment for a consideration of KD662,025 realizing a loss of KD2,975 (2012: unquoted local investments for a consideration of KD3,000,000 realising a loss of KD1,388,000).

17.7 During the year, the Group disposed certain private equity funds for a consideration of KD1,909,703 realizing a net loss of KD1,617,770.

18 Investment in Sukuk

This represents investments by a local subsidiary in two convertible sukuk issued by foreign real estate institutions. The investment in sukuks amounting to KD3,897,714 (2012: KD6,369,397) carries profit at the rate of 9% (2012: 9%) and matures on 31 March 2016.

During the year the Group recognized impairment losses of KD2,682,390 against both of the sukuk investments due to the decline in value of the underlying assets of the sukuk entities.

Further, the Group has stopped accruing for the income on both sukuk investments; the sukuk gross accrued income not received up to the reporting date amounting to KD1,062,466 (2012: KD1,036,648) which was shown under accounts receivables and other assets (note 16) has been fully provided for.

19 Investment in associates

	2013 KD	2012 KD
The movement in associates during the year is as follows:		
Balance at 1 January	11,805,998	6,451,493
Additions during the year	1,555,400	3,894,240
Share of results *	202,187	3,100,985
Groups share of associates change in other comprehensive income	67,387	(288,233)
Dividend received	(45,851)	(83,121)
Impairment in value	(691,955)	(1,229,628)
Exchange differences arising on translation of foreign operations	(406,016)	(39,738)
Balance at 31 December	12,487,150	11,805,998

Notes to the consolidated financial statements (continued)

19 Investment in associates (continued)

* Share of results include negative goodwill amounting to KD802,876 (31 December 2012: KD3,135,973) (refer 19.2)

Details of the Group's material associates at the end of the reporting period are as follows:

	Country of registration and Principal place of business	Nature of business	Percentage ownership	
			31 Dec. 2013	31 Dec. 2012
Advance Zone General Trading WLL (19.2)	Kuwait/Iraq	General trading	40%	30%
Falcon Aviation Group Limited	British Virgin Islands	Air cargo	20%	20%

19.1 All of the above named associates are accounted for using the equity method in these consolidated financial statements.

19.2 During the 1st quarter of 2012 the Group acquired 30% of Advance Zone General Trading WLL (which owns a stake in Investment and Technology Group of Companies, Limited – B.V.I, a company which operates in the telecommunication sector in Iraq) for a consideration of KD3,894,240. A negative goodwill of KD3,135,973 (excess of the investors share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment) arose as a result of the above acquisition and this has been recognised as income in the previous year's consolidated statement of profit or loss under "share of result of associates".

Further during the current year the group entered into an agreement to acquire an additional 10% of Advance Zone General Trading WLL for a consideration of KD1,555,400. A negative goodwill of KD802,876 arose as a result of the additional acquisition and this was recognised in the current year's consolidated statement of profit or loss under "share of result of associates".

19.3 The Group has recorded its share in Advance Zone General Trading based on 31 December 2013 financial statements and the share of results of Falcon Aviation Group Limited has been recorded based on the 30 September 2013 management accounts.

19.4 During the year the management of the Group decided to take an impairment provision of KD691,955 (31 December 2012: KD587,777) against the carrying value of Falcon Aviation Group Limited. An impairment provision was also recongised during the previous year on the carrying value of Mazaya Gateway and Al Mustathmer Al-Watani which amounted to KD641,851.

19.5 Summarised financial information in respect of each of the Group's material associates are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate:

Notes to the consolidated financial statements (continued)

19 Investment in associates (continued)

19.5.1 Advance Zone General Trading WLL

	31 Dec. 2013 KD	31 Dec. 2012 KD
Non-current assets	19,704,785	19,647,506
Current assets	4,127,272	4,092,376
Current liabilities	(182,611)	(157,123)
Equity	23,649,446	23,582,759

	31 Dec. 2013 KD	31 Dec. 2012 KD
Profit/(loss)t for the year	6,758	(40,608)
Other comprehensive income for the year	59,929	189,323
Total comprehensive income for the year	66,687	148,715

A reconciliation of the above summarised financial information to the carrying amount of the investment in Advance Zone General Trading WLL is set out below:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Net assets of the associate attributable to the shareholders of the Group	23,649,446	23,582,759
Proportion of the Group's ownership interest in the associate	40%	30%
Carrying value of the investment	9,459,779	7,074,828

Advance Zone General Trading WLL, is an unquoted investment.

19.5.2 Falcon Aviation Group Limited.

	31 Dec. 2013 KD	31 Dec. 2012 KD
Non-current assets	23,432,378	24,305,452
Current assets	7,292,196	14,957,188
Non-current liabilities	(13,114,429)	(14,509,888)
Current liabilities	(6,969,550)	(8,451,420)
Equity	10,640,595	16,301,332
Less: Non controlling interest	(85,529)	(2,461,642)
Equity attributable to the shareholders of the Group	10,555,066	13,839,690

	31 Dec. 2013 KD	31 Dec. 2012 KD
Revenue	24,497,643	27,137,503
Loss from continuing operations	(2,990,873)	(841,754)
Loss tax profit from discontinued operations	(591,862)	-
Loss for the year	(3,582,735)	(841,754)
Other comprehensive income for the year	298,110	(730,301)
Total comprehensive income for the year	(3,284,625)	(1,572,055)

Notes to the consolidated financial statements (continued)

19 Investment in associates (continued)

A reconciliation of the above summarised financial information to the carrying amount of the investment in Falcon Aviation Group Limited is set out below:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Net assets of the associate attributable to the shareholders of the Group	10,555,066	13,839,690
Proportion of the Group's ownership interest in the associate	20%	20%
Interest in associate	2,111,013	2,767,938
Goodwill	-	691,955
Carrying value of the investment	2,111,013	3,459,893

Falcon Aviation Group limited, is an unquoted investment.

19.6 Aggregate information of associates that are not individually material to the Group:

	31 Dec. 2013 KD	31 Dec. 2012 KD
The Group's share of profit for the year	113,155	186,339
The Group's share of other comprehensive income for the year	(422,222)	(239,764)
The Group's share of total comprehensive income for the year	(309,067)	(53,425)
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	916,358	1,271,277

20 Investment properties

	2013 KD	2012 KD
Investment properties	8,546,653	8,175,929
Land and properties under development	66,314,494	66,123,888
	74,861,147	74,299,817

The movement for investment properties is as follows:

	2013 KD	2012 KD
Balance as of 1 January	74,299,817	72,345,033
Additions	1,347,075	-
Changes in fair value	(532,848)	1,974,667
Foreign currency translation adjustment arising on consolidation	(252,897)	(19,883)
	74,861,147	74,299,817

Investment properties with a carrying value of KD6,194,763 (2012: KD5,576,850) of a local subsidiary are pledged against Islamic debt instruments of the same subsidiary. Further investment property of a local subsidiary with a carrying value of KD66,314,494 (2012: KD Nill) are subject to a Ijara financing facility (refer note 23).

Borrowing costs of KD774,354 (2012: KD Nil) incurred in relation to the Ijara financing arrangement of a local subsidiary have been capitalised during the year.

The details of fair valuation of investment properties are disclosed in note 29.

The above properties are located in GCC and other Middle Eastern countries.

Notes to the consolidated financial statements (continued)

21 Property & equipment

During the year, one of the Group's foreign subsidiary's sold a property located in Kingdom of Saudi Arabia which was carried at KD798,153 at 31 December 2012 for a consideration of KD1,391,324 resulting a gain of KD 593,171 being recognised in the consolidated statement of profit or loss.

22 Accounts payables and other liabilities

	2013 KD	2012 KD
Payables on purchase of investment property (a)	-	11,378,545
Due to related parties (Note 28)	3,756,353	3,956,918
Accrued expenses	121,887	161,496
Accrued finance costs	2,119,685	679,809
Trade payable and payable to contractors	6,678,109	6,166,277
Other credit balances	229,929	340,002
	12,905,963	22,683,047

a. The payable on purchase of investment property at 31 December 2012 amounting to KD11,378,545 represented one of the local subsidiary's payable on purchase of investment properties in Qatar with a carrying value of KD66,123,888 at that date (note 20). The liability was a current liability as it was matured.

On 2 December 2012, the Company received a letter from the Qatari Company selling the above mentioned property, which included several options of settling the payments due from the company on the purchase of the said property amounting to QR147,082,405 (equivalent to KD11,378,545). The Company had opted the settlement of 25% of the amount due within one month from the date of the notification and the remaining balance 75% to be settled on instalments within a year from the notification date.

However, during the third quarter of the current year, this amount has been fully settled from the funds received from an Ijara financing (refer note 23).

23 Borrowings

	2013 KD	2012 KD
Loans	28,600,000	28,600,000
Islamic debt instruments		
- Ijara Financing (22.4)	12,263,490	-
- Murabaha payables	17,564,446	19,087,664
	58,427,936	47,687,664

23.1 The following is the maturity analysis of loans and Islamic debt instruments:

	2013 KD	2012 KD
Less than 1 year	55,873,581	21,582,810
From 1 year to 5 years	2,554,355	26,104,854
	58,427,936	47,687,664

Notes to the consolidated financial statements (continued)

23 Borrowings (continued)

23.2 Loans and facilities have been granted to the Parent Company based on negative pledges on the Parent Company's assets.

23.3 Out of the total Borrowings of KD58,427,936 as of 31 December 2013, an amount of KD39,600,000 is related to the Parent Company. During February & March 2013, the management of the Parent Company has requested from all its lenders; to whom repayments were due in instalments from 2013 to 2016; to restructure its loans facilities totalling to KD28,600,000 and was able to successfully restructure most of its debts totalling to KD25,000,000 on a bullet payment basis (due in March & April 2014) as opposed to the instalment payment as per the previous agreements. Borrowings of KD11,000,000 obtained from a local Islamic bank were already on a bullet payment basis during 2013, of which an amount of KD3,000,000 (along with the related profit) has fallen due during June 2013 and amount of KD8,000,000 (along with the related profit) has fallen due during September 2013 and the lender has formally requested settlement of the amounts due immediately in order for the bank not to initiate legal proceedings. The Parent Company has requested the local Islamic bank to renew the principle amount for another year and is actively engaged with the lender to restructure the dues. Further one of the lenders, a local bank, (the "bank") has declined the restructuring request for the loan of KD3,600,000 (which was due in instalments) and informed the company to settle the instalment of KD600,000 on the due date which was 31 March 2013 in order for the bank not to initiate legal proceedings. The Parent Company's management was of the view that settlement of the instalment due may result in the Parent Company contradicting the other reschedulement agreements signed with the remaining lenders and consequently has requested the bank to reconsider the resechdulement request. On 10 April 2013 the Parent Company was informed that the bank has initiated legal proceedings to foreclose on the Parent Company as per executive order relating to the loan, and accordingly the total loan of KD3,600,000 has become due along with the related interest. The Parent Company has filed a complaint against this order which resulted in suspension of the executive order till the next court hearing which was scheduled to be held on 25 April 2013 and then postponed to 2 May 2013. On 2 May 2013, the court rejected the Parent Company's complaint and the Parent Company appealed the court decision and the hearing was scheduled to be held on 19 June 2013 and then postponed to 24 July 2013. On 24 July 2013, the court rejected this case. Further on 7 May 2013, the Parent Company filed a case against the foreclosure and the court postponed the case to 29 May 2013. On 29 May 2013, the court rejected this case. Further, on 15 July 2013 the Parent Company has appealed the court decision and the court has rejected the appeal on 25 August 2013. Furthermore, on 7 July 2013 the Parent Company has also filed a formal request for an expert to consider the issue and the hearing related to this which was scheduled to be on 7 October 2013 was postponed to 16 December 2013. On 16 December 2013, the court rejected this case and the Parent Company has appealed and the court rejected the appeal on 13 March 2014.

The Parent Company is currently in renegotiations with the local bank who has initiated legal proceedings to settle the disputes out of court.

Notes to the consolidated financial statements (continued)

23 Borrowings (continued)

23.4 During the 3rd quarter of the current year , a local subsidiary obtained Ijara financing from a Qatari financial institution for a total amount of KD12,263,490 the purpose of the loan was to settle the remaining instalment dues on an investment property located in Qatar (refer note 20).

	KD
Gross amount	13,432,801
Less: Deferred finance cost	1,169,311
Net amount	12,263,490

23.5 Investment properties of a local subsidiary are pledged against Islamic debt instruments of KD8,087,664 (2012: KD8,087,664) related to that subsidiary (note 20).

23.6 The effective average interest rate of loans is 6.06% (2012: 6.13%) The effective cost rate of the Islamic debt instruments is 5.89% (2012: 6.5%).

24 Bonds issued

During October 2007, the Parent Company entered into an agreement to issue unsecured fixed rate bonds of KD 10,000,000 and floating rate bonds of KD3,320,000 at an issue price of 100% of their principal amount with original maturity on 2 October 2010. On 23 September 2010 with the consent of the bond holders the maturity of the bonds were extended until 2 October 2012. On 20 September 2012 the Bondholders approved the extension of the maturity date of the bonds to 2 October 2013 provided that the company repay 10% of the nominal value of the bonds on 2 October 2012, and 20% of the nominal value on or before 1 September 2013. Consequently the Parent Company settled the 10% amounting to KD1,332,000 on 26 September 2012 and this resulted in the reduction of the amount due on bonds issued to KD11,988,000 (fixed rate bonds KD9,000,000 and floating rate bonds KD2,988,000). The fixed bonds bear fixed interest rate at 8.875% per annum and the floating bonds bear floating interest rate at 5.5% over the Central Bank of Kuwait discount rate. Interest is payable semi-annually in arrears.

On 30 September 2013 the Bondholders agreed to extend the due date of the bonds (including the 20% due on 1 September 2013) to 18 November 2013 provided that the Group repay an amount of KD562,533 and accrued interest. The Group has failed to pay this amount and on the 24 October 2013 the Bondholders met and decided to notify the Parent Company of the default in paying the amount KD562,533 and accrued interest, and accordingly noted that the entire bond amount of KD11,988,000 became due.

On 29 October 2013 the Group has requested a meeting to be held on 10 November 2013 with the bondholders to extend the maturity of the bonds to 18 November 2014. The meeting was postponed to 17 November 2013 as the quorum was not met at the meeting which was held on 10 November 2013.

On 17 November 2013 a meeting was held and a decision could not be taken on the extension of bonds as the legally established percentage was not met and therefore the bonds remain due as of the maturity date.

25 Share capital

- The authorised, issued and paid up in cash capital of the Parent Company amounts to KD52,828,125 distributed over 528,281,250 shares with 100 fils par value each as of 31 December 2013 and 31 December 2012.

- The shareholders of the Parent Company has approved at the annual general meeting held on 20 September 2012 to set-off accumulated losses amounting KD27,979,602 against the statutory reserve of KD4,802,301, voluntary reserve of KD4,802,301 and share premium of KD18,375,000.

Notes to the consolidated financial statements (continued)

26 Reserves and non-controlling interests

		2013 KD	2012 KD
Foreign currency translation reserve	26.3	(815,385)	(227,029)
Cumulative changes in fair value	26.4	499,433	1,433,669
Non-controlling interests	26.5	12,415,296	13,976,103

26.1 Statutory reserve

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to statutory reserve. No transfer is required in a year when losses are made or where cumulative losses exist. The Parent Company may resolve to discontinue such annual transfer when the reserve equals or exceeds 50% of the paid-up share capital.

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

26.2 Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to voluntary reserve. The Parent Company may resolve to discontinue such transfers by a resolution of the Parent Company's board of directors. There are no restrictions on distribution of voluntary reserve. No transfer is required in a year when losses are made or when cumulative losses exist.

26.3 Foreign currency translation reserve

	2013 KD	2012 KD
Balance at 1 January	(227,029)	22,904
Exchange differences arising on translation of foreign operations	(655,743)	(170,997)
Groups share of associates foreign currency translation reserve	67,387	(78,936)
Balance at 31 December	(815,385)	(227,029)

26.4 Cumulative changes in fair value

	2013 KD	2012 KD
Balance at 1 January	1,433,669	480,877
Net changes in fair value arising during the year	(378,206)	59,116
Transferred to consolidated statement of profit or loss on disposal	(736,185)	550,313
Transferred to consolidated statement of profit or loss on impairment	180,155	343,363
Balance at 31 December	499,433	1,433,669

26.5 Non-controlling interests

	2013 KD	2012 KD
Balance at 1 January	13,976,103	13,849,618
Amount due to non-controlling interests on reduction of share capital by subsidiary	(286,111)	-
(Loss)/profit for the year	(1,269,312)	157,394
Net changes in fair value of available for sale investments	(5,052)	-
Exchange differences arising on translation of foreign operations	(332)	(30,909)
Balance at 31 December	12,415,296	13,976,103

Notes to the consolidated financial statements (continued)

27 Segmental information

The group activities are concentrated in three main segments: real estate, investment and finance. The segments' results are reported to the higher management in the group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the group operates in.

27.1 The following is the segments information, which conforms with the internal reporting presented to management:

	2013				
	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Total income	604,563	(1,495,980)	318,938	618,733	46,254
Expenses and other charges	(851,983)	(5,208,979)	(3,544,905)	(1,087,624)	(10,693,491)
(Loss)/profit for the year	(247,420)	(6,704,959)	(3,225,967)	(468,891)	(10,647,237)
Assets	74,861,147	40,180,197	6,582,364	4,325,724	125,949,432
Liabilities	(14,015,266)	(7,636,117)	(58,152,446)	(3,869,283)	(83,673,112)
Net assets	60,845,881	32,544,080	(51,570,082)	456,441	42,276,320
Sukuk and interest income	-	-	318,938	-	318,938
Finance costs	-	-	(3,544,905)	-	(3,544,905)
Impairment in value of investments	-	(2,862,545)	-	-	(2,862,545)
Impairment of investment in associates	-	(691,955)	-	-	(691,955)
Impairment of receivables and other assets	-	(1,062,466)	-	(699,481)	(1,761,947)

	2012				
	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Total income	2,511,974	2,738,319	605,329	495,462	6,351,084
Expenses and other charges	(742,708)	(7,156,841)	(4,115,319)	(349,892)	(12,364,760)
Profit/(loss) for the year	1,769,266	(4,418,522)	(3,509,990)	145,570	(6,013,676)
Assets	74,299,817	46,668,804	9,190,196	7,355,438	137,514,255
Liabilities	(12,709,114)	(7,294,900)	(59,675,664)	(3,096,933)	(82,776,611)
Net assets	61,590,703	39,373,904	(50,485,468)	4,258,505	54,737,644
Sukuk and interest income	-	-	605,329	-	605,329
Interest expense	-	-	(4,115,318)	-	(4,115,318)
Impairment in value of investments	-	(343,363)	-	-	(343,363)
Impairment of investment in associates	-	(1,229,628)	-	-	(1,229,628)
Impairment of receivables and other assets	-	(4,635,175)	-	-	(4,635,175)

Notes to the consolidated financial statements (continued)

27 Segmental information (continued)

27.2 The geographical analysis is as follows:

	2013		
	Domestic KD	International KD	Total KD
Total income	2,706,767	(2,660,513)	46,254
Loss for the year	(2,646,329)	(8,000,908)	(10,647,237)
Total assets	36,401,316	89,548,116	125,949,432
Total liabilities	(66,779,772)	(16,893,340)	(83,673,112)
Net assets	(30,378,456)	72,654,776	42,276,320

	2012		
	Domestic KD	International KD	Total KD
Total income	2,591,527	3,759,557	6,351,084
Loss for the year	(3,525,744)	(2,487,932)	(6,013,676)
Total assets	21,896,541	115,617,714	137,514,255
Total liabilities	(65,936,187)	(16,840,424)	(82,776,611)
Net assets	(44,039,646)	98,777,290	54,737,644

28 Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control.

Significant transactions and balances with related parties included in the consolidated financial statements are as follows:

	2013 KD	2012 KD
Balances in the consolidated statement of financial position:		
Due from related parties (see note 16)	241,067	219,410
Due to related parties (see note 22)*	3,756,353	3,956,918
Due to related parties included in trade payables and payable to contractors (note 22)	1,572,510	1,553,013

*Due to related parties includes an interest free advance of KD2,750,000 from a related party with no specific repayment terms.

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Transactions included in the consolidated statement of profit or loss:		
Management fees and other income	85,853	82,256
Key management compensation:		
Short term benefits	261,832	277,550
Employees end of service indemnity	26,971	29,400

Pricing policies and the terms of these transactions are approved by the Group's management.

Transactions with related parties are subject to approval of the shareholders at the general assembly meeting.

Notes to the consolidated financial statements (continued)

29 Summary of financial assets and liabilities by category and fair value measurement

29.1 Categories of financial assets and liabilities

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

	2013 KD	2012 KD
Receivables(at amortised cost)		
• Cash and cash equivalents	5,248,316	7,230,153
• Accounts receivable and other assets (note 16)	20,186,473	19,626,215
• Investments in sukuk	3,897,714	6,369,397
	29,332,503	33,225,765
Assets at fair value through profit or loss		
• Investments at fair value through profit or loss: (note 15)		
- Designated on initial recognition	796,942	1,793,118
	796,942	1,793,118
Available for sale investments: (note 17)		
• At fair value	4,226,685	12,929,905
• At cost / cost less impairment	4,117,074	2,442,965
	8,343,759	15,372,870
Total financial assets	38,473,204	50,391,753
Other financial liabilities: (amortised cost)		
• Accounts payable and other liabilities (note 22)	12,905,963	22,683,047
• Borrowings	58,427,936	47,687,664
• Bonds payable	11,988,000	11,988,000
Total financial liabilities	83,321,899	82,358,711

29.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments at fair value though profit or loss and available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in note 17 to the consolidated financial statements) are carried at fair value and measurement details are disclosed in note 29.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs is considered a reasonable approximation of their fair values.

The Group also measures non financial assets such as investment properties at fair value at each annual reporting date (refer 29.4)

29.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Notes to the consolidated financial statements (continued)

29 Summary of financial assets and liabilities by category and fair value measurement (continued)

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

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

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

31 December 2013	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
Assets at fair value					
Available for sale investments:		-	-		
- Unquoted shares	b	-	-	1,670,529	1,670,529
- Private equity funds	c	-	-	1,428,164	1,428,164
- Direct equity funds	c	-	-	980,145	980,145
- Portfolios managed by others	d	-	-	147,847	147,847
Total assets		-	-	4,226,685	4,226,685

31 December 2012	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
Assets at fair value					
Investment at fair value through profit or loss:					
- Managed portfolios and funds (International)	a	-	-	171,159	171,159
Available for sale investments:					
- Unquoted shares	b	-	-	3,981,044	3,981,044
- Private equity funds	c	-	-	5,158,450	5,158,450
- Direct equity funds	c	-	-	3,545,723	3,545,723
- Portfolios managed by others	d	-	-	244,688	244,688
Total assets		-	-	13,101,064	13,101,064

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

Notes to the consolidated financial statements (continued)

29 Summary of financial assets and liabilities by category and fair value measurement (continued)

Measurement at fair value

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

The methods and valuation techniques used for the purpose of measuring fair value, which are unchanged compared to the previous reporting period, are as follows:

Financial instruments in level 3

a) Managed portfolio and funds (International)

The underlying investments in managed portfolios and funds represents quoted bonds and securities and unquoted securities. They are valued based on latest reports received from the managers and the fair value has been determined based on net asset values reported by the fund manager as of the reporting date.

b) Unquoted shares

These represent holdings in local and foreign unlisted securities which are measured at fair value. Fair value is estimated based on the net asset value reported in the latest available financial information, discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

c) Private and direct equity funds

The underlying investments in these private and direct equity funds mainly represent local and foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

d) Portfolios managed by others

The underlying investments in managed portfolios represent quoted and unquoted securities. They are valued based on latest fund managers reports.

Level 3 Fair value measurements

The group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	2013 KD	2012 KD
As at 1 January	13,101,064	20,604,495
Change in fair value	(203,106)	255,900
Net disposal	(6,339,012)	(5,794,001)
Additions during the year	187,000	-
Moved from level 3 to cost (see note 17)	(2,339,106)	(1,621,967)
Impairment of level 3 investments	(180,155)	(343,363)
As at 31 December	4,226,685	13,101,064

Notes to the consolidated financial statements (continued)

29 Summary of financial assets and liabilities by category and fair value measurement (continued)

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted shares	DCF Method	Long term growth rate for cash flows for subsequent years	2% - 4%	Higher the growth rate, higher the value
		WACC	7% - 15%	Higher the WACC, lower the value
		Discount for lack of marketability	15% - 25%	Higher the discount rate, lower the value
Private equity and direct equity funds	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value
Other managed portfolios	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value

The impact on profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments.

In case of AFS assets, the impairment charge in the profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through OCI) and, would not have an effect on profit or loss.

29.4 Fair value measurement of non-financial assets

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment property				
- Land in Qatar	-	-	66,314,494	66,314,494
- Building in Kuwait	-	-	4,642,000	4,642,000
- Building in Dubai, UAE	-	216,649	-	216,649
- Building in Bahrain	-	1,552,763	-	1,552,763
- Land in Egypt	-	-	2,135,241	2,135,241
	-	1,769,412	73,091,735	74,861,147

Notes to the consolidated financial statements (continued)

29 Summary of financial assets and liabilities by category and fair value measurement (continued)

Land in Qatar and Egypt

The land in Qatar above represents land which can be used for both residential and commercial purposes and the land in Egypt represents a land catergorised as "Investment land". The fair value of the land has been determined based on valuations obtained from two independent valuers who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. The two valuers have valued the investment property using the market comparison approach. When the market comparison approach is used adjustments have been incorporated for factors specific to the land in question, including plot size, location, economic condition, similar land prices in surrounding area and permitted activities on the land. For the valuation purpose, the Company has selected the lower value of the two valuations (2012: lower of two valuations).

Buildings in Kuwait

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

Building in UAE & Bahrain

The building in UAE represents four office suites "Commercial units", and the building in Bahrain is catergorised as "investment buildings". The fair value of the investment property has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. The valuers have valued the investment properties using the market comparison approach. When the market comparison approach is used adjustments have been incorporated for factors specific such as plot size, location, current rent yield and current use. For the valuation purpose, the group has selected the lower value of the two valuations (2012: lower of two valuations).

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

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Land in Qatar	Market comparison approach	Estimated market price for land (per Sqm.)	KD940 – KD960	The higher the price per square meter, the higher the fair value.
Buildings in Kuwait	Yield method and Market comparison approach	Average monthly rent	KD11,385 – KD24,250	Higher the rent ,higher the fair value
Building in UAE and Bahrain	Market comparison approach	Estimated market price (per Sqm.)	KD570 – KD897	Higher the price per square meter, higher the fair value
Land in Egypt	Market comparison approach	Estimated market price (per Sqm.)	KD7.7 – KD8.1	Higher the price per square meter, higher the fair value

Notes to the consolidated financial statements (continued)

29 Summary of financial assets and liabilities by category and fair value measurement (continued)

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment properties within this level can be reconciled from beginning to ending balances as follows;

	Total KD
31 December 2013	
Opening balance	72,445,506
Additions	1,347,075
Changes in fair value recognised in profit or loss	(442,661)
Exchange differences recognised in OCI	(258,185)
Closing balance	73,091,735

30 Risk management objectives and policies

The Group's principal financial liabilities comprise, borrowings, bonds issued and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits, investment in Sukuk and investment securities which arise directly from operations.

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

The parent company's board of directors sets out policies for reducing the risks discussed below.

The Group does not use derivative financial instruments.

The most significant financial risks to which the group is exposed to are described below.

30.1 Market risk

a) Foreign currency risk

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

The Group mainly operates in the Middle Eastern countries, Europe and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Qatari Riyals and Euro. The group's balance sheet can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed by the group by diversifying its investments geographically and monitoring the foreign currency movements and the groups open positions on a regular basis.

Notes to the consolidated financial statements (continued)

30 Risk management objectives and policies (continued)

30.1 Market risk (continued)

a) Foreign currency risk (continued)

The group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	2013 *Equivalent* KD	2012 *Equivalent* KD
US Dollars	1,732,726	3,384,215
Qatari Riyal	(12,263,117)	(11,378,162)
Euro	3,897,714	6,369,397

If the Kuwaiti Dinar had strengthened against the foreign currencies by 5.7% (2012: 5.7%), then this would have the following impact on the loss for the year. There is no impact on the group's equity.

	Loss for the year	
	2013 KD	2012 KD
US Dollars	(98,765)	(192,900)
Qatari Riyal	698,998	648,555
Euro	(266,604)	(363,056)
Total loss	333,629	92,599

If the Kuwaiti Dinar had weakened against the foreign currencies by 5.7% (2012: 5.7%), then there would be an opposite impact on the loss for the year, and the negative balances shown above would be positive and positive balances will be negative.

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

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to its short term deposits (refer note 14), borrowings (refer note 23) and bonds payable (refer note 24) which are both at fixed rate and floating interest rates. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit/(loss) for the year to reasonable possible change of interest rate of +75 (0.75%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on group's equity.

	Increase in interest rates		Decrease in interest rates	
	2013 KD	2012 KD	2013 KD	2012 KD
Increase/(decrease) in loss for the year	(513,831)	(426,411)	513,831	426,411

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its price issuer or factors affecting all instruments, traded in the market. The Group is not exposed to any significant price risks as of 31 December 2013 as majority of the company's investments are unquoted.

Notes to the consolidated financial statements (continued)

30 Risk management objectives and policies (continued)

30.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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

	2013 KD	2012 KD
Cash and cash equivalents	5,248,316	7,230,153
Investment at fair value through profit or loss (managed portfolios) (refer note 15)	-	171,159
Investment in Sukuk	3,897,714	6,369,397
Accounts receivable and other assets (note 16)	20,186,473	19,626,215
Available for sale investments (note 17)	8,343,759	15,372,870
	37,676,262	48,769,794

Except for certain available for sale investment and receivables and other assets as stated in note 17 and 16 respectively, none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counter parties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the group's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 30.3

30.3 Concentration of assets

The distribution of financial assets and financial liabilities by geographic region for 2013 and 2012 is as follows:

	Kuwait KD	GCC KD	Asia & Africa KD	Europe KD	USA KD	Total KD
At 31 December 2013						
Cash and cash equivalents	4,221,556	937,666	86,981	2,113	-	5,248,316
Investments at fair value through profit or loss	-	796,714	228	-	-	796,942
Accounts receivable and other assets (refer note 16)	1,647,901	17,432,556	-	1,106,016	-	20,186,473
Available for sale investments	3,809,351	1,998,430	827,377	523,365	1,185,236	8,343,759
Investment in Sukuk	-	-	-	3,897,714	-	3,897,714
	9,678,808	21,165,366	914,586	5,529,208	1,185,236	38,473,204
Accounts payable and other liabilities	7,151,799	5,754,164	-	-	-	12,905,963
Borrowings	46,164,446	12,263,490	-	-	-	58,427,936
Bonds issued	11,988,000	-	-	-	-	11,988,000
	65,304,245	18,017,654	-	-	-	83,321,899

Notes to the consolidated financial statements (continued)

30 Risk management objectives and policies (continued)

30.3 Concentration of assets (continued)

	Kuwait KD	GCC KD	Asia & Africa KD	Europe KD	USA KD	Total KD
At 31 December 2012						
Cash and cash equivalents	5,560,375	93,208	20,754	1,555,816	-	7,230,153
Investments at fair value through profit or loss	825,000	796,714	245	171,159	-	1,793,118
Accounts receivable and other assets (refer note 16)	1,036,399	16,009,547	698,449	1,881,820	-	19,626,215
Available for sale investments	3,268,693	2,960,220	1,535,294	3,164,038	4,444,625	15,372,870
Investment in Sukuk	-	-	-	6,369,397	-	6,369,397
	10,690,467	19,859,689	2,254,742	13,142,230	4,444,625	50,391,753
Accounts payable and other liabilities	5,857,473	16,825,574	-	-	-	22,683,047
Borrowings	47,687,664	-	-	-	-	47,687,664
Bonds issued	11,988,000	-	-	-	-	11,988,000
	65,533,137	16,825,574	-	-	-	82,358,711

30.4 Liquidity risk

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

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss, investment in associates, available for sale investments and investment properties, the maturities of assets and liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date. The maturity profile for investments carried at fair value through profit or loss, investment in associates, available for sale investments and investment properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of all assets and liabilities at 31 December 2013 and 2012:

	1 year KD	1 -5 years KD	Over 5 years KD	Total KD
At 31 December 2013				
ASSETS				
Cash and cash equivalents	5,248,316	-	-	5,248,316
Investment at fair value through profit or loss	796,942	-	-	796,942
Investment in sukuk	-	3,897,714	-	3,897,714
Accounts receivable and other assets	20,186,473	-	-	20,186,473
Available for sale investments	-	8,343,759	-	8,343,759
Investment in associates	-	12,487,150	-	12,487,150
Investment properties	-	74,861,147	-	74,861,147
Property and equipment	-	37,599	-	37,599
Goodwill	-	-	90,332	90,332
	26,231,731	99,627,369	90,332	125,949,432
LIABILITIES				
Accounts payable and other liabilities	12,905,963	-	-	12,905,963
Borrowings	55,873,581	2,554,355	-	58,427,936
Bonds issued	11,988,000	-	-	11,988,000
Employees' end of service indemnity	-	351,213	-	351,213
	80,767,544	2,905,568	-	83,673,112

Notes to the consolidated financial statements (continued)

30 Risk management objectives and policies (continued)

30.4 Liquidity risk (continued)

	1 year KD	1 -5 years KD	Over 5 years KD	Total KD
At 31 December 2012				
ASSETS				
Cash and cash equivalents	7,230,153	-	-	7,230,153
Investment at fair value through profit or loss	1,793,118	-	-	1,793,118
Investment in sukuk	6,369,397	-	-	6,369,397
Accounts receivable and other assets	19,626,215	-	-	19,626,215
Available for sale investments	-	15,372,870	-	15,372,870
Investment in associates	-	11,805,998	-	11,805,998
Investment properties	66,123,888	8,175,929	-	74,299,817
Property and equipment	-	926,355	-	926,355
Goodwill	-	-	90,332	90,332
	101,142,771	36,281,152	90,332	137,514,255
LIABILITIES				
Accounts payable and other liabilities	22,683,047	-	-	22,683,047
Borrowings	21,582,810	26,104,854	-	47,687,664
Bonds issued	11,988,000	-	-	11,988,000
Employees' end of service indemnity	-	417,900	-	417,900
	56,253,857	26,522,754	-	82,776,611

The contractual maturity of financial liabilities based on undiscounted cash flows are as follows:

	On demand /up to 1 month KD	1-3 Months KD	3-12 months KD	Over 1 Year KD	Total KD
31 December 2013					
Financial liabilities					
Accounts payable and other liabilities	2,268,265	7,289	10,630,409	-	12,905,963
Borrowings	14,600,000	17,760,288	25,162,817	2,760,378	60,283,483
Bonds issued	11,988,000	-	-	-	11,988,000
Employees' end of service indemnity	-	-	-	351,213	351,213
	28,856,265	17,767,577	35,793,226	3,111,591	85,528,659
31 December 2012					
Financial liabilities					
Accounts payable and other liabilities	262,381	8,830	22,411,836	-	22,683,047
Borrowings	1,005,202	4,230,797	18,090,366	26,572,980	49,899,345
Bonds issued	-	-	12,758,641	-	12,758,641
Employees' end of service indemnity	-	-	-	417,900	417,900
	1,267,583	4,239,627	53,260,843	26,990,880	85,758,933

31 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 costs of capital.

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

Notes to the consolidated financial statements (continued)

31 Capital risk management (continued)

There were no changes in the Group's approach to capital management during the year as compared to the previous year. The capital structure of the Group consists of the following:

	2013 KD	2012 KD
Borrowings (refer note 23)	58,427,936	47,687,664
Bonds payable (refer note 24)	11,988,000	11,988,000
Less: Cash and cash equivalents (refer note 14)	(5,248,316)	(7,230,153)
Net debt	65,167,620	52,445,511
Total equity	42,276,320	54,737,644
Total Capital	107,443,940	107,183,155

In order to maintain or adjust the capital structure, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

	2013 KD	2012 KD
Net debt	65,167,620	52,445,511
Total capital	107,443,940	107,183,155
Gearing ratio	61%	49%

32 Contingent liabilities and commitments

	2013 KD	2012 KD
Bank guarantees issued	-	40,000
Uncalled instalment for financial investments	44,348	364,733
Capital commitment related to intangible asset	-	1,378,569

33 Assets under management

The Group manages mutual funds, portfolios on behalf of its major shareholders, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 31 December 2013 amounted to KD70,588,283 (31 December 2012: KD71,719,970) of which assets managed on behalf of its related parties amounted to KD10,000,000 (31 December 2012 : KD10,000,000).

During the year total fees earned by the Group from assets under management amounted to KD85,853 (2012: KD82,265)

34 Proposed dividend

The Board of Directors proposed not to distribute any dividend for the year ended 31 December 2013. This proposal is subject to the approval of the general assembly of the shareholders. No dividends were distributed for the year ended 31 December 2012.