ANNUAL REPORT

2013

شركة الراية العالمية العقارية ش.م.ك

AL-RAYA GLOBAL REAL ESTATE CO. K.S.C.C

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Consolidated financial statements and independent auditor’s report

Al Raya Global Real Estate Company – KSC (Closed) and Subsidiaries

Kuwait

31 December 2013

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Independent auditor's report

To the Shareholders of
Al Raya Global Real Estate Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Raya Global Real Estate Company – Kuwaiti Shareholding Company (Closed) ("parent company") and its subsidiaries ("the group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's 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 auditor's 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 auditor considers 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.

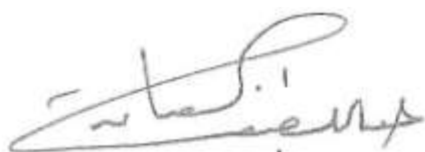
Independent auditor's report

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Al-Raya Global Real Estate Co. - KSCC 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.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012 and executive regulations and by the parent 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 and executive regulations nor of the parent 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 parent company.



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

Kuwait
22 April 2014

Consolidated statement of income

For the year ended 31 December 2013

	Notes	**Year ended 31 Dec. 2013 KD**	Year ended 31 Dec. 2012 KD
Revenue			
Real estate rental income, net	8	**535,862**	531,818
Change in fair value of investment properties	10	**(4,245,554)**	(3,916,768)
Loss on sale of investment properties		**(5,047)**	(73,683)
Net loss on investments at fair value through statement of income		**(1,592,588)**	(171,586)
Loss on sale of available for sale investments		**-**	(14,220)
Dividend income		**1,298**	27,439
Profit from murabaha investment and other income		**9,514**	22,876
Gain on sale of equipment		**203**	-
		(5,296,312)	(3,594,124)
Expenses and other charges			
Staff costs		**(205,609)**	(213,756)
General and administrative expenses		**(55,149)**	(66,370)
Depreciation and amortisation		**(1,660)**	(4,011)
Finance costs		**(168,837)**	(285,535)
Foreign exchange gain/(loss)		**2,064**	(5,213)
Impairment of available for sale investments		**(601,978)**	-
		(1,031,169)	(574,885)
Loss before Zakat		**(6,327,481)**	(4,169,009)
Provision for Zakat		**-**	-
Loss for the year		**(6,327,481)**	(4,169,009)
Attributable to:			
Owners of the parent company		**(4,835,051)**	(2,800,648)
Non-controlling interests		**(1,492,430)**	(1,368,361)
		(6,327,481)	(4,169,009)
Basic and diluted loss per share attributable to the owners of the parent company (Fils)	9	**(24.18)**	(14.00)

The notes set out on pages 12 to 42 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2013

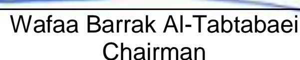
	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Loss for the year	**(6,327,481)**	(4,169,009)
Other comprehensive (loss)/income:		
Items that will be reclassified subsequently to consolidated statement of income:		
Exchange differences arising on translation of foreign operations	**(1,816)**	15,208
Available for sale investments:		
- Net change in fair value arising during the year	**(388,410)**	80,360
- Transferred to consolidated statement of income on sale	**-**	89,756
- Transferred to consolidated statement of income on impairment	**601,978**	-
Total other comprehensive income	**211,752**	185,324
Total comprehensive loss for the year	**(6,115,729)**	(3,983,685)
Total comprehensive loss attributable to:		
Owners of the parent company	**(4,616,679)**	(2,615,216)
Non-controlling interests	**(1,499,050)**	(1,368,469)
	(6,115,729)	(3,983,685)

The notes set out on pages 12 to 42 form an integral part of these consolidated financial statements.

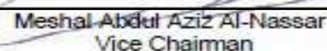
Consolidated statement of financial position

As of 31 December 2013

	Notes	31 Dec. 2013 KD	31 Dec. 2012 KD
Assets			
Non-current assets			
Furniture and equipment		**1,250**	873
Investment properties	10	**11,186,153**	15,666,341
Intangible assets		**2,022**	2,567
Available for sale investments	11	**517,862**	906,272
		11,707,287	16,576,053
Current assets			
Accounts receivable and other assets	12	**348,950**	656,859
Investments at fair value through statement of income	13	**2,430,890**	4,385,610
Murabaha investment	14	**-**	750,000
Cash and bank balances	14	**625,273**	475,259
		3,405,113	6,267,728
Total assets		**15,112,400**	22,843,781
Equity and liabilities			
Equity			
Share capital	15	**20,000,000**	20,000,000
Legal reserve	16	**633,655**	633,655
Voluntary reserve	16	**621,979**	621,979
Fair value reserve		**(31,049)**	(244,617)
Foreign currency translation reserve		**(94,406)**	(99,210)
Accumulated losses		**(10,498,557)**	(5,663,506)
Equity attributable to the owners of the parent company		**10,631,622**	15,248,301
Non-controlling interests		**(3,398,325)**	(1,899,275)
Total equity		**7,233,297**	13,349,026
Non-current liabilities			
Provision for employees' end of service benefits		**90,224**	78,678
		90,224	78,678
Current liabilities			
Murabaha payables	17	**3,000,000**	4,500,000
Accounts payable and other liabilities	18	**4,788,879**	4,916,077
		7,788,879	9,416,077
Total liabilities		**7,879,103**	9,494,755
Total equity and liabilities		**15,112,400**	22,843,781



Wafaa Barrak Al-Tabtabaei
Chairman



Meshal Abdul Aziz Al-Nassar
Vice Chairman

The notes set out on pages 12 to 42 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Attributable to the owners of the parent company							Non-controlling interests	Total
	Share capital KD	Legal reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub-total KD	KD	KD
Balance at 1 January 2013	20,000,000	633,655	621,979	(244,617)	(99,210)	(5,663,506)	15,248,301	(1,899,275)	13,349,026
Loss for the year	-	-	-	-	-	(4,835,051)	(4,835,051)	(1,492,430)	(6,327,481)
Other comprehensive income/(loss)	-	-	-	213,568	4,804	-	218,372	(6,620)	211,754
Total comprehensive income/(loss) for the year	-	-	-	213,568	4,804	(4,835,051)	(4,616,679)	(1,499,050)	(6,115,729)
Balance at 31 December 2013	**20,000,000**	**633,655**	**621,979**	**(31,049)**	**(94,406)**	**(10,498,557)**	**10,631,622**	**(3,398,325)**	**7,233,297**

The notes set out on pages 12 to 42 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)
For the year ended 31 December 2013

	Attributable to the owners of the parent							Non-controlling interests	Total
	Share capital KD	Legal reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings/ (accumulated losses) KD	Sub-total KD	KD	KD
Balance at 1 January 2012	20,000,000	633,655	621,979	(414,733)	(114,526)	(2,862,858)	17,863,517	778,922	18,642,439
Loss for the year	-	-	-	-	-	(2,800,648)	(2,800,648)	(1,368,361)	(4,169,009)
Other comprehensive income/(loss)	-	-	-	170,116	15,316	-	185,432	(108)	185,324
Total comprehensive income/(loss) for the year	-	-	-	170,116	15,316	(2,800,648)	(2,615,216)	(1,368,469)	(3,983,685)
Change in non-controlling interest due to liquidation of subsidiary	-	-	-	-	-	-	-	(1,309,728)	(1,309,728)
Balance at 31 December 2012	20,000,000	633,655	621,979	(244,617)	(99,210)	(5,663,506)	15,248,301	(1,899,275)	13,349,026

The notes set out on pages 12 to 42 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2013

	Note	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
OPERATING ACTIVITIES			
Loss for the year		**(6,327,481)**	(4,169,009)
Adjustments for:			
Depreciation and amortisation		**1,660**	4,011
Provision for employees' end of service benefits		**25,690**	24,164
Impairment of available for sale investments		**601,978**	-
Dividend income		**(1,298)**	(27,439)
Change in fair value of investment properties		**4,245,554**	3,916,768
Loss on sale of investment properties		**5,047**	73,683
Profit from murabaha		**(9,450)**	(14,875)
Loss on sale of available for sale investments		**-**	14,220
Finance costs		**168,837**	285,535
Gain on sale of equipment		**(203)**	-
		(1,289,666)	107,058
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		**1,954,720**	1,326,343
Accounts receivable and other assets		**301,977**	(330,726)
Accounts payable and other liabilities		**(35,263)**	(174,184)
Provision for employees' end of service benefits paid		**(14,144)**	(30,247)
Net cash from operating activities		**917,624**	898,244
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(1,010)**	(203)
Proceeds from sale of equipment		**221**	-
Purchase of investment properties		**(1,544)**	(1,999)
Proceeds from sale of investment properties		**240,425**	146,592
Acquisition of intangible assets		**(500)**	(935)
Proceeds from sale of available for sale investments		**-**	184,763
Dividend income received		**1,298**	27,439
Profit from murabaha received		**15,384**	19,279
Blocked deposits		**76,033**	(76,033)
Net cash from investing activities		**330,307**	298,903
FINANCING ACTIVITIES			
Repayment of murabaha payables		**(1,500,000)**	(1,000,000)
Finance costs paid		**(271,884)**	(329,549)
Net cash used in financing activities		**(1,771,884)**	(1,329,549)
Net decrease in cash and cash equivalents		**(523,953)**	(132,402)
Cash and cash equivalents at the beginning of the year	14	**1,149,226**	1,281,628
Cash and cash equivalents at the end of the year	14	**625,273**	1,149,226
Non cash transaction			
Non-controlling interest		**-**	(1,309,728)
Accounts payable and other liabilities		**-**	1,309,728

The notes set out on pages 12 to 42 form an integral part of these consolidated financial statements.

1 Incorporation and activities

Al Raya Global Real Estate Company – KSC (Closed) (the "parent company") was incorporated in Kuwait on 3 July 2005 in accordance with the Commercial Companies Law as a closed Kuwaiti shareholding company.

The objectives of the parent company include all real estate activities for the company or third parties in accordance with Islamic Sharia'a. These include the following:

- Owning, buying and selling of land, real estate shares and other investments inside and outside Kuwait.
- Performing studies and consultancy services by qualified personnel in the real estate field.

In all cases the parent company is governed in all its activities by Islamic Sharia'a principles and decisions of Sharia'a board are obligatory to the parent company.

The group comprises the parent company and its subsidiaries. Details of subsidiary companies are set out in note 7.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013. On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

The address of the parent company's registered office is PO Box 26283, Safat 13123, State of Kuwait.

These consolidated financial statements were authorised for issue by the parent company's board of directors on 22 April 2014 and are subject to the approval of the General Assembly of the shareholders.

2 Basis of preparation

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

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is the functional currency of the parent company.

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

3 Statement of compliance

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

4 Changes in accounting policies

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

4.1 New and amended standards adopted by the group

The group has adopted the following new and amended IFRS during the year:

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

4.1.1 IAS 1 Presentation of Financial Statements- amendment

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

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

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

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

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

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

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

4.1.3 IFRS 7 Financial Instruments: Disclosures – Amendments

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

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

4 Changes in accounting policies (continued)

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

4.1.4 IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements. It revised the definition of control together with accompanying guidance to identify an interest in subsidiary. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

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

4.1.5 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Note 7 illustrates the application of IFRS 12 in the current year.

4.1.6 IFRS 13 Fair Value Measurement

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

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

The group has applied IFRS 13 for the first time in the current year, see Note 22.

4.1.7 Annual Improvements 2009-2011

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

Clarification of the requirements for opening statement of financial position:

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

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

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

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

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective

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

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

4.2.1 IAS 32 Financial Instruments: Presentation - Amendments

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

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

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

4.2.2 IAS 36 Impairment of Assets- Amendments

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

4.2.3 IFRS 9 Financial Instruments

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

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

The group's management 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.

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

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

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

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

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

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

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

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

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

5 Significant accounting policies

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below:

5.1 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiaries (see note 7).

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

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

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

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

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

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

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

5.2 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.

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

5 Significant accounting policies (continued)

5.2 Business combinations (continued)

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.

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

5.3 Revenue

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 group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.3.1 Rental income

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

5.3.2 Gain on sale of investment properties

Gain on sale of investment properties is recognised when the significant risks and rewards of ownership of investment properties have passed to the buyer.

5.3.3 Dividend income

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

5.3.4 Murabaha and similar income

Murabaha and similar income is recognised on a time proportionate basis, taking into account the principal outstanding and the profit rate applicable.

5.4 Operating expenses

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

5.5 Finance costs

Finance costs are calculated and recognised on a time proportionate basis taking into account the principal loan balance outstanding and the cost rate applicable.

5 Significant accounting policies (continued)

5.6 Property and equipment

5.6.1 Furniture and equipment
Furniture and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

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

Furniture & fixtures	5 years
Office equipment	5 years

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

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

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

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

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

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 and equipment up to the date of change in use.

5.8 Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

5 Significant accounting policies (continued)

5.8 Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

5.9 Impairment testing of non financial assets

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

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

5.10 Financial instruments

5.10.1 Recognition, initial measurement and derecognition

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

5 Significant accounting policies (continued)

5.10 Financial instruments (continued)

5.10.1 Recognition, initial measurement and derecognition (continued)

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

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

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

5.10.2 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 statement of income (FVTSI)
- available-for-sale (AFS) financial assets.

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

- ***Loans and receivables***

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.

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5 Significant accounting policies (continued)

5.10 Financial instruments (continued)

5.10.2 Classification and subsequent measurement of financial assets (continued)

- ***Loans and receivables (continued)***

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

The group categorises loans and receivables into following categories:

Murabaha investments
Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. When the credit risk of the transaction is attributable to a financial institution, the amount due under murabaha contracts is classified as a murabaha investment. Whereas, when the credit risk of transaction is attributable to counterparties other than banks and financial institutions, the amount due is classified as murabaha receivable.

Murabaha receivables which arise from the group's financing of long-term transactions on an Islamic basis are classified as murabaha receivables originated by the group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a murabaha are treated as part of the cost of the transaction.

All murabaha receivables are recognized when the legal right to control the use of the underlying asset is transferred to the customer.

Trade receivables
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.

Cash and cash equivalents
Cash and cash equivalents comprise cash and bank balances, together with other murabaha investments that are readily convertible into known amounts of cash within 90 days and which are subject to an insignificant risk of changes in value.

- ***Financial assets at FVTSI***

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

5 Significant accounting policies (continued)

5.10 Financial instruments (continued)

5.10.2 Classification and subsequent measurement of financial assets (continued)

- ***Financial assets at FVTSI (continued)***

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

- ***AFS financial assets***

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

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

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

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

5.10.3 Classification and subsequent measurement of financial liabilities

The group’s financial liabilities include murabaha payables and accounts payable and other liabilities.

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

Accounts payables and other liabilities

Accounts payable and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Murabaha payables

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

5 Significant accounting policies (continued)

5.10 Financial instruments (continued)

5.10.4 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 cost rate.

5.10.5 Trade and settlement date accounting

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

5.10.6 Offsetting of financial instruments

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

5.10.7 Fair value of financial instruments

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

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

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

5.11 Equity, reserves and dividend payments

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

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies’ Law and the parent company’s articles and memorandum of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group’s foreign entities into Kuwaiti Dinars (KD)
- Fair value reserve – comprises gains and losses relating to available for sale financial assets

Accumulated losses include all current and prior period accumulated 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.

5 Significant accounting policies (continued)

5.12 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.

5.13 Foreign currency translation

5.13.1 Functional and presentation currency

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

5.13.2 Foreign currency transactions and balances

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

5.13.3 Foreign operations

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

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

5 Significant accounting policies (continued)

5.14 End of service indemnity

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

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

5.15 Related party transactions

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

5.16 Taxation

5.16.1 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.

5.16.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

For the year ended 31 December 2013, the parent company has no liability towards KFAS due to accumulated losses incurred. Under the KFAS regulation no carry forward of losses to the future years nor any carry back to prior years is permitted.

5.16.3 Taxation on overseas subsidiaries

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

6 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.

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

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

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

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

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

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

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

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

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

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

6.1.3 Control assessment

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

6.1.4 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty

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

6.2.1 Impairment of available for sale equity investments

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

6.2.2 Useful lives of depreciable assets

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

6.2.3 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. 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 note 22).

7 Subsidiary companies

7.1 Composition of the group

Set out below are the details of subsidiaries held directly by the group:

	Country of incorporation	Voting capital held %		Principal activities
		31 Dec. 2013	31 Dec. 2012	
Bait Al-Raya Real Estate Development Company – WLL	Jordan	**50%**	50%	Real estate activities
Bait Al Raya Real Estate Company – WLL	Saudi Arabia	**100%**	100%	Real estate activities

7.2 Subsidiary with material non-controlling interests

The group includes one subsidiary, Bait Al-Raya Real Estate Development Company–WLL, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Loss allocated to NCI		Accumulated NCI	
	31 Dec. 2013 KD	31 Dec. 2012 KD	**31 Dec. 2013 KD**	31 Dec. 2012 KD	**31 Dec. 2013 KD**	31 Dec. 2012 KD
Bait Al-Raya Real Estate Development Company-WLL	50%	50%	**(1,492,430)**	(1,368,361)	**(3,398,325)**	(1,899,275)

7 Subsidiary companies (continued)

7.2 Subsidiary with material non-controlling interests (continued)

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

Summarised financial information for Bait Al-Raya Real Estate Development Company–WLL, before intragroup eliminations, is set out below:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Non-current assets	**2,233,743**	5,199,058
Current assets	**4,537**	5,208
Total assets	**2,238,280**	5,204,266
Non-current liabilities	**9,028,076**	8,997,796
Current liabilities	**6,854**	5,020
Total liabilities	**9,034,930**	9,002,816
Equity attributable to the shareholders of the parent company	**(3,398,325)**	(1,899,275)
Non-controlling interests	**(3,398,325)**	(1,899,275)

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Revenue	**(2,974,606)**	(2,733,879)
Loss for the year attributable to the shareholders of the parent company	**(1,492,430)**	(1,368,360)
Loss for the year attributable to NCI	**(1,492,430)**	(1,368,360)
Loss for the year	**(2,984,860)**	(2,736,720)
Other comprehensive income for the year attributable to the shareholders of the parent company	**-**	-
Other comprehensive income for the year attributable to NCI	**-**	-
Total other comprehensive income for the year	**-**	-
Total comprehensive loss for the year attributable to the shareholders of the parent company	**(1,492,430)**	(1,368,360)
Total comprehensive loss for the year attributable to NCI	**(1,492,430)**	(1,368,360)
Total comprehensive loss for the year	**(2,984,860)**	(2,736,720)

7 Subsidiary companies (continued)

7.2 Subsidiary with material non-controlling interests (continued)

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Net cash flow (used in)/from operating activities	**(9,117)**	1,596
Net cash flow from investing activities	**-**	-
Net cash flow from financing activities	**7,765**	3,212
Net cash (out flow)/ inflow	**(1,352)**	4,808

7.3 Interests in unconsolidated structured entities

The group has no interests in unconsolidated structured entities

8 Real estate rental income, net

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Rental income	**598,282**	606,267
Direct expenses	**(62,420)**	(74,449)
	535,862	531,818

9 Basic and diluted loss per share attributable to the owners of the parent company

Basic and diluted 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 shares as follows:

	Year ended 31 Dec. 2013	Year ended 31 Dec. 2012
Loss for the year attributable to the owners of the parent company (KD)	**(4,835,051)**	(2,800,648)
Weighted average number of shares outstanding	**200,000,000**	200,000,000
Basic and diluted loss per share	**(24.18) Fils**	(14.00) Fils

10 Investment properties

	31 Dec. 2013 KD	31 Dec. 2012 KD
At 1 January	**15,666,341**	19,770,952
Additions	**1,544**	1,999
Proceeds from sale of investment properties	**(240,425)**	(146,592)
Loss on sale	**(5,047)**	(73,683)
Change in fair value	**(4,245,554)**	(3,916,768)
Foreign currency translation adjustment	**9,294**	30,433
	11,186,153	15,666,341

Investment properties with a carrying value of KD4,638,000 (31 December 2012: KD3,985,000) are mortgaged against murabaha payables (note 17).

Investment properties were revalued by independent valuers (See note 22)

11 Available for sale investments

	31 Dec. 2013 KD	31 Dec. 2012 KD
Local quoted equity shares	**53,820**	22,424
Unquoted equity shares	**236,825**	586,650
Local unquoted fund	**227,217**	297,198
	517,862	906,272

Investment in unquoted shares amounting to KD236,825 (2012: KD586,650) are carried at cost less impairment due to unpredictable nature of future cash flows and unavailability of financial information to arrive at a reliable measure of fair value.

During the year, the group recognised an impairment loss of KD601,978 (2012: KD Nil). Management has performed an analysis of the underlying investments which indicate that there is no further impairment.

The investment in unquoted fund amounting KD227,217 (31 December 2012: KD297,198) is pledged against murabaha payables (note 17) and is managed by a related party.

12 Accounts receivable and other assets

	31 Dec. 2013 KD	31 Dec. 2012 KD
Accrued revenue	**155,283**	51,865
Receivable arising on sale of investment	**169,442**	576,101
Prepayments and other receivable	**24,225**	28,893
	348,950	656,859

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

13 Investments at fair value through statement of income

	31 Dec. 2013 KD	31 Dec. 2012 KD
Designated on initial recognition:		
Local investment portfolio	**-**	458,228
Unquoted equity securities	**2,373,314**	3,808,206
Unquoted fund	**57,576**	119,176
	2,430,890	4,385,610

14 Cash and cash equivalents

	31 Dec. 2013 KD	31 Dec. 2012 KD
Murabaha investment	**-**	750,000
Cash and bank balances	**625,273**	475,259
Blocked deposits	**-**	(76,033)
	625,273	1,149,226

15 Share capital

	Authorised		Issued and fully paid	
	31 Dec. 2013	31 Dec. 2012	**31 Dec. 2013**	31 Dec. 2012
Shares of KD0.100 each	**200,000,000**	200,000,000	**200,000,000**	200,000,000

All shares are in cash.

16 Reserves

In accordance with the Companies Law and the parent company's articles and memorandum of association, 10% of the profit for the year before KFAS, Zakat and directors' remuneration is transferred to the legal reserve. The shareholders of the parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

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

In accordance with the parent company's articles of association, 10% of the profit for the year before KFAS, Zakat and directors' remuneration is transferred to the voluntary reserve. Upon recommendation of the board of directors and approval of general assembly, the parent company may resolve to discontinue transfer to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year in which the parent company has incurred a loss or where cumulative losses exist.

17 Murabaha payables

This represents Islamic financing obtained from a local financial institution (a related party) and carry annual effective profit rate of 4.5% (31 December 2012: 5.5%). This is secured by way of mortgage of certain investment properties and available for sale investments (notes 10 and 11). The murabha is payable within twelve months of the reporting date.

18 Accounts payable and other liabilities

	31 Dec. 2013 KD	31 Dec. 2012 KD
Accounts payable	**20,295**	22,001
Accruals and other liabilities	**166,849**	308,336
Payable on purchase of investment properties	**4,601,735**	4,585,740
	4,788,879	4,916,077

Payable on purchase of investment properties includes KD4,516,004 (31 December 2012: KD4,501,269) payable to a non-controlling shareholder of the subsidiary in Jordan for partly financing purchase of investment property (land). No profit is charged on this amount and is repayable on demand.

Payable on purchase of investment properties amounting to KD85,732 (31 December 2012: KD84,471) is secured by way of mortgage of certain investment properties with a carrying value of KD150,282 (31 December 2012: KD146,191).

19 General assembly of the shareholders

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

The consolidated financial statements of the group for the year ended 31 December 2012 were approved by the general assembly held on 13 May 2013 without dividend.

20 Related party balances and transactions

These represent transactions made, in the ordinary course of business, with related parties i.e. directors and major shareholders and companies of which they are principal shareholders. Management approves prices and terms of these transactions.

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

	31 Dec. 2013 KD	31 Dec. 2012 KD
Balances included in consolidated statement of financial position:		
Available for sale investments (major shareholder)	**227,217**	297,198
Cash and cash equivalents (major shareholder)	**590,124**	1,174,395
Murabaha payable (major shareholder)	**3,000,000**	4,500,000
Payable to non controlling interests	**4,516,004**	4,501,269

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Transactions included in consolidated statement of income:		
Profit from murabaha investment (major shareholder)	**9,450**	14,875
Finance costs (major shareholder)	**165,637**	254,840
Key management compensation:		
Salaries and other short term benefits	**31,200**	62,381
End of service benefits	**2,600**	5,067
	33,800	67,448

21 Risk management objectives and policies

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

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

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

21.1 Market risk

a) Foreign currency risk

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

2.1 Risk management objectives and policies (continued)

21.1 Market risk(continued)

a) Foreign currency risk (continued)

The group mainly operates in Kuwait and the Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirham and Jordan Dinar. The group's financial position can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

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

	31 Dec. 2013 KD	31 Dec. 2012 KD
US Dollar	**3,009,815**	4,722,575
Jordan Dinar	**3,867**	5,206
UAE Dirham	**171,573**	43,702
Others	**(65,770)**	262,625

The foreign currency sensitivity is determined based on US Dollars: 3% (2012: 3%), Jordan Dinar 2% (2012: 2%), UAE Dirham 2% (2012: 2%) and other 5% (2012: 5%) increase or decrease in exchange rates. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

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

	Loss for the year	
	31 Dec. 2013 KD	31 Dec. 2012 KD
US Dollar	**± 90,294**	± 141,677
Jordan Dinar	**± 77**	± 104
UAE Dirham	**± 3,431**	± 874
Others	**± 3,289**	± 13,131

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) Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The group is exposed to profit rate risk with respect to murabaha investments and murabha payable. An increase or decrease by 1% (2012: 1%) in the effective profit rate would result in decrease/increase of loss for the year by KD30,000 (2012: KD37,500).

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of income or available for sale investments.

2.1 Risk management objectives and policies (continued)

21.1 Market risk (continued)

c) Price risk (continued)

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

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There have been no changes during the year in the method and assumptions used in preparing the sensitive analysis.

If equity prices had been 5% (2012: 5%) higher/lower the effect on the loss for the year and equity would have been as follows:

	Profit for the year		Equity	
	31 Dec. 2013 KD	31 Dec. 2012 KD	**31 Dec. 2013 KD**	31 Dec. 2012 KD
Investments at fair value through statement of income	**±121,545**	± 219,281	**±121,545**	±219,281
Available for sale investments	-	-	**±25,893**	± 45,314

21.2 Credit risk

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

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

	31 Dec. 2013 KD	31 Dec. 2012 KD
Accounts receivable and other assets	**348,950**	656,859
Murabaha investments	**-**	750,000
Bank balances	**625,273**	475,259
	974,223	1,882,118

Bank balances are maintained with high credit quality financial institutions. Management believes the net receivable balances are neither past due nor impaired.

21.3 Liquidity risk

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

2.1 Risk management objectives and policies (continued)

21.3 Liquidity risk (continued)

The table below summarises the maturity profile of the group's liabilities using undiscounted cash flows.

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
31 December 2013:					
Liabilities					
Provision for employees' end of service benefits	**-**	**-**	**-**	**90,224**	**90,224**
Murabaha payables	**-**	**-**	**3,135,000**	**-**	**3,135,000**
Accounts payable and other liabilities	**-**	**418,977**	**4,369,902**	**-**	**4,788,879**
	-	**418,977**	**7,504,902**	**90,224**	**8,014,103**
31 December 2012:					
Liabilities					
Provision for employees' end of service benefits	-	-	-	78,678	78,678
Murabaha payable	-	3,692,500	1,054,849	-	4,747,349
Accounts payable and other liabilities	-	233,318	4,682,759	-	4,916,077
	-	3,925,818	5,737,608	78,678	9,742,104

22 Fair value measurement

22.1 Fair value hierarchy

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

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

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

22 Fair value measurement (continued)

22.2 Fair value measurement of financial instruments

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

	31 Dec. 2013 KD	31 Dec. 2012 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Accounts receivable and other assets	**348,950**	656,859
- Cash and cash equivalents	**625,273**	1,225,259
Available for sale investments:		
Available for sale investments – at fair value	**281,037**	319,622
Available for sale investments – at cost	**236,825**	586,650
Investments at fair value through statement of income		
Investments at fair value through statement of income	**2,430,890**	4,385,610
	3,922,975	7,174,000
Financial liabilities:		
Financial liabilities at amortised cost:		
Murabaha payables	**3,000,000**	4,500,000
Accounts payable and other liabilities	**4,788,879**	4,916,077
	7,788,879	9,416,077

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

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

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

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2013					
Investments at fair value through statement of income					
Designated on initial recognition:					
Unquoted equity securities	**b**	**-**	**-**	**2,373,314**	**2,373,314**
Unquoted funds	**b**	**-**	**-**	**57,576**	**57,576**
Available for sale investments:					
Local quoted equity shares	**a**	**53,820**	**-**	**-**	**53,820**
Local unquoted fund	**b**	**-**	**-**	**227,217**	**227,217**
Net fair value		**53,820**	**-**	**2,658,107**	**2,711,927**

22 Fair value measurement (continued)

22.2 Fair value measurement of financial instruments (continued)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2012					
Investments at fair value through statement of income					
Designated on initial recognition:					
Local investment portfolio	b	-	-	458,228	458,228
Unquoted equity securities	b	-	-	3,808,206	3,808,206
Unquoted funds	b	-	-	119,176	119,176
Available for sale investments:					
Local quoted equity shares	a	22,424	-	-	22,424
Local unquoted fund	b	-	-	297,198	297,198
Net fair value		22,424	-	4,682,808	4,705,232

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

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

a) Quoted securities
All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted investments
The financial statements include holdings in unlisted securities, portfolio and fund, which are measured at fair value. Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

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

	31 Dec. 2013		31 Dec. 2012	
	Investments at fair value	**Available for sale investments**	Investments at fair value	Available for sale investments
	KD	**KD**	KD	KD
Opening balance	**4,385,610**	**297,198**	5,711,953	340,554
Gains or losses recognised in:				
- Statement of income	**(1,592,588)**	**-**	(171,586)	(14,220)
- Other comprehensive income	**-**	**(69,981)**	-	155,627
Sales	**(362,132)**	**-**	(1,154,757)	(184,763)
Closing balance	**2,430,890**	**227,217**	4,385,610	297,198

22 Fair value measurement (continued)

22.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)
The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

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

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

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

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

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

22.3 Fair value measurement of non-financial assets

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment property				
- Buildings in Kuwait	-	-	**5,623,000**	**5,623,000**
- Properties in UAE	-	-	**3,179,129**	**3,179,129**
- Land in Bahrain	-	-	**150,281**	**150,281**
- Land in Jordan	-	-	**2,233,743**	**2,233,743**
	-	-	**11,186,153**	**11,186,153**

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

22 Fair value measurement (continued)

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

Buildings in Kuwait

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

Properties in UAE

The properties in UAE represent two investment buildings and two parcels of land. The fair value of these properties have 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. When the market comparison approach is used adjustments have been incorporated for factors specific such as plot size, location, current rate yield and current use. For the valuation purpose, the group has selected the lower value of the two valuations (2012: lower of two valuations).

Land in Bahrain

The land in Bahrain represents a land catergorised as "Investment land". The fair value of this 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 valuers have valued the land using the market comparison. When the market comparison approach is used, adjustments have been incorporated for factors specific 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).

Land in Jordan

The land in Jordan represents a land catergorised as "Investment land". The fair value of this land has been determined based on valuations obtained from three 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 land using the market comparison. When the market comparison approach is used, adjustments have been incorporated for factors specific such as plot size, location and current use. For the valuation purpose, the group has selected the lower value of the three valuations (2012: lower of two valuations).

Reconciliation from beginning to ending balances of investment properties is provided in note 10.

23 Capital management objectives

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

The capital of the group comprise of total equity excluding fair value and foreign currency translation reserves, amounting to KD10,757,077 (2012: KD15,592,128). The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

24 Contingent liabilities

Contingent liabilities at 31 December 2013 in respect of outstanding letters of guarantee amounted to KD6,000 (2012: KD9,000).