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ANNUAL REPORT



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Sokouk Holding Company K.S.C.C



**Sokouk Holding Company K.S.C.C**

**Capital: KD 53,800,000**

**Commercial Licence 574/98/م م**

**Commercial Register 74323**

**Tel.: (965) 1834 000**

**Fax: (965) 2247 2671**

**P.O.Box: 29110 Safat, 13152 Kuwait**

**[www.sokouk.com](http://www.sokouk.com)**



H.H. Sheikh  
**Sabah Al-Ahmad Al-Jaber Al-Sabah**  
Amir of the State of Kuwait

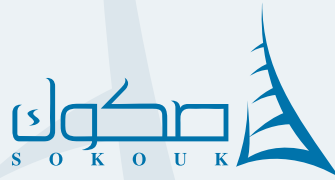


His Highness Sheikh  
**Nawaf Al-Ahmed Al-Jaber Al-Sabah**  
Crown Prince



His Highness Sheikh  
**Jaber Mobarak Al-Hamad Al-Sabah**  
Prime Minister





Sokouk Holding Company K.S.C.C

## Integrated Real Estate Synergy . . .

Establish date 23 August 1998

Paid-up Capital  
KD 53,800,000

Divided into  
538,000,000 shares

Nominal value per share 100 Fils



شركة ماس القابضة  
MAS HOLDING CO.



SOKOUK INVESTMENT ADVISORY



منشآت  
قيمة متنامية



بيت الإعمار الخليجي  
Gulf Development House



سكوك العقارية  
SOKOUK REAL ESTATE



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## Company Overview

Sokouk Holding Company was established as a Kuwaiti shareholding company (closed) in 23 August 1998 under the name (Intermediate Real Estate Development Company). After the Company had been restructured in 17 July 2005 and its objectives and goals were expanded, its name was changed to (Sokouk Real Estate Development Company), the Company has launched new investment and finance instruments in the form of Sharia Compliant time share sokouk which have become the most important instrument through which the Company has taken up real estate investment and trading. After the resounding successes it has accomplished in this field, the Company strived to expand its activities by virtue of creating specialized entities capable of developing the products and innovating new investment instruments. Therefore, the Company was changed to a holding company (Sokouk Holding Company in August 2005).

On December 27/12/2005, the Company's efforts were rewarded by listing it on Kuwait Stock Exchange.





## Board Of Directors



**Mr. Mohammad Mubarak Al-Hajri**  
Chairman



**Mr. Ghanem Yousef Al-Ghanem**  
Vice Chairman



**Mr. Mohammed Ahmed Al-Rasheed**  
Board Member



**Mrs. Abrar Fahad Alhammad**  
Board Member



**Mr. Abdul Aziz Al-Sobeyee**  
Board Member



**Mr. Mohammad Mubarak Al-Hajri**  
Chairman

## Chairman's Speech

### **Our valued shareholders,**

It is my pleasure, personally and on behalf of the directors of the Board and the executive management to extend to you sincere thanks and appreciation for your continuous support during the past period. I am also pleased to present you the annual report of 2013 through which we exhibit the prominent achievements the Company has realized, and that culminated - thanks be to Allah - in generating profits for the second year in a row.

### **Our valued shareholders,**

Our assembly reoccurs this year with a record full of distinctive accomplishments and several growth indicators on different levels that can be deemed an important step towards thorough recovery from the impacts of the previous position to return to genuine growth and strong performance.

Through its subsidiaries and associates, Sokouk Holding Company has managed to set the infrastructure required for generating profits and proceeding forward as an integrated real estate synergy. Chief among the strengths of Sokouk Holding Company is the solidity of its assets and the variety of its innovative real estate investments that have been carefully explored to generate the highest returns at tolerable risks.

### **Dear brothers,**

According to the general tendency and objectives aiming at advancing the Company's financial performance, the investments have been restructured, and the Management has relied on far-sightedness in the restructure that depend on reducing the debts and profits resulting from such debts. In addition, the Management also focused on operating income-generating assets that ensure continuous cash flows to realize high returns to the shareholders. Chief among this year's achievements is finally settling a debt through which the Company realized profits approximating KD 12.5 million with one of the related debtors. The Company's Management has also managed to restructure the Company's assets by owning strategic and operating assets. The impacts and results of such restructure will continue for years to come; which enhances trust and optimism about the future of Sokouk Holding Company, in addition to guaranteeing clear income sources from operating projects that will contribute to rising



the operating revenues and increasing the operating cash flows. Furthermore, the potential revenues are fixed and sustainable, away from stock markets or the like.

In addition, other achievements have been realized in investments by owning controlling stakes in subsidiaries and associates through which Sokouk Holding Company has realized profitability approximating KD 7 million. The Company owns 27.67% stake in Munshaat Real Estate Projects Company, a KSE listed company whose major projects include Zamzam Tower, Dar Al Qebla, Al Mehrab Tower and Bakkah Tower. Munshaat Company has realized growth in its operating revenues and profits whose amount approximated KD 30.25 million.

Furthermore, Sokouk Holding Company owns 75% of Gulf Development House, a real estate Kuwaiti shareholding Company (closed) that is constructing five star hotel project in Salmiya. Actual operation is expected to commence during 2014, and the hotel will be managed by Millennium and Copthorne Middle East Company. The project is expected to constitute one of the main streams to support the Company's operating revenues along the forthcoming years.

Sokouk Holding Company also owns 96.52% in Sokouk Real Estate Company which operates in direct real estate investment. Sokouk Real Estate Company is real estate arm of Sokouk Holding Company which has restructured its assets by concluding rescheduling agreements for dues payable by third parties. Furthermore, the Company has recently received part of these dues during the year; resulting in providing liquidity to enter into real estate investments locally and internationally; which enabled the Company to increase its operating revenues.

In spite of the achievements the Company has realized, it still has more objectives to seek. The Board of Directors, with its executive management, has attached special importance to taking the necessary measures to ensure the Company's compliance with the new Companies Law and the Capital Markets Authority Law, and to apply corporate governance principles and the instructions pertinent to disclosing significant information of the

Company to deepen trust, enhance administrative performance and protect shareholders' rights in a way that prevents conflict of interest.

#### Financial performance indicators

The financial indicators for the year ended on December 31, 2013 constitute a clear reflection of the Company's performance. Net profits approximated KD 18.2 million, and the Company's assets amounted to approximately KD 105 million. This increase is estimated at 30% compared to last year. Furthermore, shareholders' equities have risen at 33% to approximate KD 74 million for this year compared to approximately KD 56 million in 2012. Basic earnings per share amounted to 35 Fils per share as compared to 10 Fils per share in 2012. Accordingly, the Board of Directors recommended distributing bonus shares at 5% of the paid up capital (5 shares per each 100 shares) for the financial year ended on December 31, 2013. This recommendation is subject to approval of the general assembly and the competent authorities.

In conclusion, I seize this opportunity in the name of the Board of Directors to thank our valued shareholders for their continuous support and the trust they have in the Board of Directors and the executive management. We pray to Allah the Almighty to grant us success to progress the Company's performance and realize the best results. We are confident that the Company is able to maximize its financial performance along the forthcoming years, and we aspire that the year 2014 will mark genuine growth of the Company as well as development and completion of existing projects which will culminate in stabilizing cash flows and diversifying income sources.

The Chairman

## Report of the Executive Management

### Sharia Board

Almashoora and Al Raya for Islamic Financial Consulting undertakes the duties of the Sharia Controller, and appoints the Sharia Committee of the Company which is formed of the following members:

**His Eminence Dr. Abdulaziz Alqassar**

**His Eminence Dr. Issa Zaki Issa**

**His Eminence Dr. Ali Alrashed**

The Committee undertakes its duties by controlling the Company's businesses and providing the Sharia consultancies in relation to such businesses.

### External Control and Audit

The external auditors of the company are Al-Bazie and partners and Al-Waha External Audit Bureau, who are in charge of conducting the external audit functions; preparing the data and financial reports.



## **Subsidiaries of Sokouk Holding Co.**



### **Gulf Development House Real Estate Company K.S.C (Closed)**

Establishment: June 2006  
Capital: KD 5 million.

#### **Company Profile**

Gulf Development House is a Kuwaiti shareholding company (closed) with an authorized capital of KD 5 million. Sokouk Holding Company owns 75% of the Company's shares. The Company represents the main arm of Sokouk Holding Company for working in fields of specialized real estate development, in addition to managing real estate investment and commercial projects, and managing investment funds and portfolios with real estate character. Furthermore, Gulf Development House works in various real estate fields including owning, developing and selling real estates inside and outside State of Kuwait.

The Company is currently executing Salmiya Hotel project on a plot of 6000 square meters approximately.





سكوك العقارية  
SOKOUK REAL ESTATE

### **Sokouk Real Estate Company**

Establishment: 25 June 2006

Capital: KD 15 million.

Sokouk Real Estate Company (KCSC) was established in June 2006 with a capital of KD 5 million. In June 2008, the capital was increased to KD 15 million.

#### **Company Profile**

The company trades in freehold real estates, develops, manages real estate investment portfolios and funds that are Sharia compliant and consistent with its articles of association. The company's vision is to attain leadership and specialization in high quality real estate projects in order to achieve added value for its investors.



### **Sokouk Investment Advisory Company**

Sokouk Investment Advisory Company's main activity is to provide advisory services to Sokouk Holding Company and its subsidiary companies.

A wholly-owned subsidiary of Sokouk Holding Company, it receives full support and back-office services from the strength and resources of Sokouk Holding Company and its Group. Sokouk Investment Advisory Company was established in January 2006 as a limited liability company under the laws of the Cayman Islands, with a capital of US\$ 50,000.





## **Affiliates of Sokouk Holding Co.**



منشآت  
قيمة متنامية

## Munshaat Real Estate Projects Company K.S.C.C

Establishment: April 2003  
Capital: KD 32,200,000 million.

### Company's Business:

Munshaat Real Estate Projects Co. (K.S.C.C) core business is primarily focused on the local and international real estate industry through the professional and unique development and management of real estate products and projects, targeting extraordinary markets and projects, using innovative Sharia'h-compliant investment instruments and participation in investment projects on the (Build, Own, Transfer) B.O.T basis.

### Company's Projects

Zamzam Tower - Bakkah Tower - Dar Al-Qibla



Zamzam Tower



Bakka Tower

Al Safwa Tower



Dar Al-Qebalah



شركة ماس القابضة  
MAS HOLDING CO.

### MAS HOLDING K.S.C.C

MAS Holding Company was established in 2007 with a capital of KD 1 million through a strategic alliance between Munshaat Real Estate Projects Company (60%) and Sokouk Holding Company (40%).





# The Sharia Supervisory Board Report



**The Sharia Report of Sokouk Holding Company  
Fatwa and Shariah Supervisory Board  
For the period from 01/01/2013 to 31/12/2013**

**To: The Share holders of Sokouk Holding Company K.S.C.C.**

Peace, mercy and blessings of Allah be upon you.

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

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

Our supervision included examining the contracts and procedures used by the Company on the basis of examining each type of operations.

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

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

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

Peace, mercy and blessings of Allah be upon you.

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

**Dr. Essa Zaki Essa**  
*Shaira Committee Member*

**Dr. Ali Ibrahim Al-Rashed**  
*Shaira Committee Member*



# Consolidated Financial Statements



Sokouk Holding Company K.S.C.C

KUWAITI SHAREHOLDING COMPANY (HOLDING)  
AND SUBSIDIARIES  
STATE OF KUWAIT

For the Year Ended December 31, 2012  
With Independent Auditors' Report



Building a better  
working world

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOKOUK HOLDING COMPANY K.S.C.P.

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sokouk Holding Company K.S.C.P. (the "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 of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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 the Company's 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.





**EY**

Building a better  
working world

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**AL-WAHA**  
AUDITING OFFICE  
ALI OWAID RUKHAEYES



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
SOKOUK HOLDING COMPANY K.S.C.P. (continued)**

**Report on the Consolidated Financial Statements (continued)**

**Opinion**

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

**Other Matter**

The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by another independent auditor whose report dated 31 March 2013 expressed an unmodified opinion.

**Report on Other Legal and Regulatory Requirements**

Furthermore, 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, as amended and by the Company's Articles of Association and Memorandum of Incorporation, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended nor of the Company's Articles of Association and Memorandum of Incorporation have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations 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.

**WALEED A. AL OSAIMI**  
LICENCE NO. 68 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS.

**ALI OWAID RUKHEYES**  
LICENCE NO. 72-A  
MEMBER OF THE INTERNATIONAL  
GROUP OF ACCOUNTING FIRMS

18 MARCH 2014  
KUWAIT

**CONSOLIDATED STATEMENT OF INCOME**

For the year ended 31 December 2013

		2013	(Restated)* 2012
	Notes	KD	KD
<b>INCOME</b>			
Income from investment properties	4	<b>564,672</b>	3,503
Net investment income (loss)	5	<b>67,942</b>	(275,342)
Share of results of associates	9	<b>6,883,455</b>	2,846,167
Foreign exchange gain		<b>350,381</b>	388,884
Other income		<b>270,190</b>	274,779
		<b>8,136,640</b>	3,237,991
<b>EXPENSES</b>			
Staff costs		<b>(665,948)</b>	(479,783)
Administrative expenses		<b>(288,226)</b>	(313,648)
Reversal of impairment loss (impairment loss) on property and equipment	10	<b>978,213</b>	(315,727)
Net writeback of provisions	6	<b>10,861,128</b>	3,503,076
Finance costs		<b>(389,689)</b>	(342,324)
		<b>10,495,478</b>	2,051,594
<b>PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND PROVISIONS FOR NLST, ZAKAT AND BOARD OF DIRECTORS' REMUNERATION</b>		<b>18,632,118</b>	5,289,585
KFAS		<b>(77,394)</b>	-
NLST		<b>(17,715)</b>	-
Zakat		<b>(7,062)</b>	(17,236)
Board of directors' remuneration for 2013	13	<b>(130,000)</b>	(35,000)
Reversal of board of directors' remuneration for 2012	13	<b>35,000</b>	-
<b>PROFIT FOR THE YEAR</b>		<b>18,434,947</b>	5,237,349
<b>Attributable to:</b>			
Equity holders of the Company		<b>18,229,169</b>	5,337,445
Non-controlling interests		<b>205,778</b>	(100,096)
		<b>18,434,947</b>	5,237,349
<b>Basic and diluted earnings per share attributable to equity holders of the Company</b>	3	<b>35 fils</b>	10 fils

\* Certain numbers shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as explained in Note 22.

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2013

	Note	2013 KD	2012 KD
<b>PROFIT for the YEAR</b>		<b><u>18,434,947</u></b>	<u>5,237,349</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income reclassifiable to statement of income in subsequent periods			
Change in fair value of financial assets available for sale		<b>34,954</b>	389,765
Foreign currency translation adjustments		<b>(422)</b>	13,554
Share of other comprehensive income of associate	9	<b><u>4,597</u></b>	<u>539,993</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>39,129</u></b>	<u>943,312</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>18,474,076</u></b>	<u>6,180,661</u>
Attributable to:			
Equity holders of the Company		<b>18,268,298</b>	6,280,757
Non-controlling interests		<b><u>205,778</u></b>	<u>(100,096)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u><u>18,474,076</u></u></b>	<u><u>6,180,661</u></u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 31 December 2013

		31 December 2013 KD	(Restated)* 31 December 2012 KD	(Restated)* At 1 January 2012 KD
<b>ASSETS</b>				
Cash and cash equivalents		1,100,439	1,539,866	1,298,639
Accounts receivables and prepayments	7	13,481,522	35,824,349	34,284,120
Sokouk utilization rights		140,842	186,660	161,771
Financial assets available for sale	8	6,011,861	8,275,159	8,223,338
Investment in associates	9	53,053,932	12,241,171	8,838,894
Property and equipment	10	27,392,747	20,950,895	11,984,633
Investment property	11	2,161,000	-	-
Non-current assets held for sale	12	1,711,733	1,711,733	-
<b>TOTAL ASSETS</b>		<b>105,054,076</b>	<b>80,729,833</b>	<b>64,791,395</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	14	53,800,000	53,800,000	100,000,000
Share premium		-	-	17,500,000
Statutory reserve	14	2,385,102	538,968	2,229,106
Voluntary reserve	14	2,385,102	538,968	2,229,106
Treasury shares	14	(1,769,871)	(1,769,871)	-
Effect of changes in other comprehensive income of associates		(15,740)	(20,337)	(560,330)
Foreign currency translation adjustments		(58,980)	(58,558)	(72,112)
Cumulative changes in fair values		95,000	60,046	(329,719)
Retained earnings (accumulated losses)	14	17,138,686	2,601,785	(69,815,936)
<b>Equity attributable to equity holders of the Company</b>		<b>73,959,299</b>	<b>55,691,001</b>	<b>51,180,115</b>
Non-controlling interests		657,963	452,185	552,281
<b>Total equity</b>		<b>74,617,262</b>	<b>56,143,186</b>	<b>51,732,396</b>
<b>Liabilities</b>				
Islamic finance payables	15	27,001,663	21,223,547	11,201,668
Accounts payable and accruals	16	3,284,240	3,245,822	1,766,071
Employees' end of service benefits		150,911	117,278	91,260
<b>Total liabilities</b>		<b>30,436,814</b>	<b>24,586,647</b>	<b>13,058,999</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>105,054,076</b>	<b>80,729,833</b>	<b>64,791,395</b>

\* Certain numbers shown here do not correspond to the 2012 and 2011 consolidated financial

  
**MR. MOHAMMAD MUBARAK**  
AL HAJERI CHAIRMAN

  
**MR. FERAS FAHAD AL BAHAR**  
CHIEF EXECUTIVE OFFICER

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2013



	Attributable to equity holders of the Company											
	Share Capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Effect of changes in other comprehensive income of associates	Foreign currency translation reserve	Cumulative changes in fair values	Retained earnings (accumulated losses)	Sub-total	Non-controlling interests	Total Equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2013 (restated)	53,800,000	-	538,968	538,968	(1,769,871)	(20,337)	(58,558)	60,046	2,601,785	55,691,001	452,185	56,143,186
Profit for the year	-	-	-	-	-	-	-	-	18,229,169	18,229,169	205,778	18,434,947
Other comprehensive income (loss) for the year	-	-	-	-	-	4,597	(422)	34,954	-	39,129	-	39,129
Total comprehensive income (loss) for the year	-	-	-	-	-	4,597	(422)	34,954	18,229,169	18,268,298	205,778	18,474,076
Transfer to reserves	-	-	1,846,134	1,846,134	-	-	-	-	(3,692,268)	-	-	-
<b>At 31 December 2013</b>	<b>53,800,000</b>	-	<b>2,385,102</b>	<b>2,385,102</b>	<b>(1,769,871)</b>	<b>(15,740)</b>	<b>(58,980)</b>	<b>95,000</b>	<b>17,138,686</b>	<b>73,959,299</b>	<b>657,963</b>	<b>74,617,262</b>
At 1 January 2012 (As previously reported)	100,000,000	17,500,000	2,229,106	2,229,106	-	(560,330)	(72,112)	(329,719)	(68,158,212)	52,837,839	552,281	53,390,120
Effect of restatement (Note 22)	-	-	-	-	-	-	-	-	(1,657,724)	(1,657,724)	-	(1,657,724)
At 1 January 2012 (restated)	100,000,000	17,500,000	2,229,106	2,229,106	-	(560,330)	(72,112)	(329,719)	(69,815,936)	51,180,115	552,281	51,732,396
Profit (loss) for the year	-	-	-	-	-	-	-	-	5,337,445	5,337,445	(100,096)	5,237,349
Other comprehensive income for the year	-	-	-	-	-	539,993	13,554	389,765	-	943,312	-	943,312
Total comprehensive income (loss) for the year	-	-	-	-	-	539,993	13,554	389,765	5,337,445	6,280,757	(100,096)	6,180,661
Extinguishment of accumulated losses (Note 14.e)	(46,200,000)	(17,500,000)	(2,229,106)	(2,229,106)	-	-	-	-	68,158,212	-	-	-
Purchase of treasury shares	-	-	-	-	(1,769,871)	-	-	-	-	(1,769,871)	-	(1,769,871)
Transfer to reserves	-	-	538,968	538,968	-	-	-	-	(1,077,936)	-	-	-
At 31 December 2012	53,800,000	-	538,968	538,968	(1,769,871)	(20,337)	(58,558)	60,046	2,601,785	55,691,001	452,185	56,143,186

\* Certain comparative numbers presented do not correspond to the amounts disclosed in the consolidated financial statements for the year ended 31 December 2012 and 31 December 2011 due to restatement (Note 22).

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2013

	Notes	2013 KD	(Restated)* 2012 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		<b>18,632,118</b>	5,289,585
Adjustments for:			
Investment (income) loss	5	<b>(67,942)</b>	275,342
Share of results from associates	9	<b>(6,883,455)</b>	(2,846,167)
(Reversal of impairment loss) impairment loss on property and equipment	10	<b>(978,213)</b>	315,727
Net write back of provisions	6	<b>(10,861,128)</b>	(3,503,076)
Finance costs		<b>389,689</b>	342,324
Provision for employees' end of service benefits		<b>33,633</b>	30,921
		<b>264,701</b>	(95,344)
Working capital changes:			
Accounts receivable and prepayments		<b>2,637,160</b>	(1,603,552)
Sokouk utilisation rights		<b>15,073</b>	-
Investment property		<b>(2,746,000)</b>	-
Accounts payable and accruals		<b>(158,753)</b>	1,401,278
Cash from operations		<b>12,181</b>	(297,618)
Employees' end of service benefits paid		-	(4,903)
Net cash flows from (used in) operating activities		<b>12,181</b>	(302,521)
<b>INVESTING ACTIVITIES</b>			
Proceeds from mudaraba deposits		-	350,000
Proceeds from investment in wakala		-	1,827,994
Purchase of investments available for sale	8	<b>(279,768)</b>	(1,031,249)
Proceeds from sale of investments available for sale		<b>1,720,722</b>	1,035,014
Additions to property and equipment		<b>(5,463,639)</b>	(6,787,744)
Dividends income received		<b>77,650</b>	58,837
Net cash flows used in investing activities		<b>(3,945,035)</b>	(4,547,148)
<b>FINANCING ACTIVITIES</b>			
Additional islamic financing		<b>3,618,061</b>	7,730,307
Repayment of islamic finance payables		<b>(124,634)</b>	(519,540)
Purchase of treasury shares	14	-	(1,769,871)
Net cash flows from financing activities		<b>3,493,427</b>	5,440,896
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(439,427)</b>	591,227
Cash and cash equivalents at 1 January		<b>1,539,866</b>	948,639
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>1,100,439</b>	1,539,866

\* Certain comparative numbers presented do not correspond to the amounts disclosed in the consolidated financial statements for the period ended 31 December 2012 due to restatement (Note 22).

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

**1. CORPORATE INFORMATION**

The consolidated financial statements of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 18 March 2014.

The Company is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice - Real Estate Registration and Authentication Department on 23 August 1998 and registered in commercial register on 29 August 1998, and subsequent amendments there to. The Company's registered address is at P.O. Box 29110 Safat- Postal code 13152- State of Kuwait.

The Company is a subsidiary of Aref Investment Group S.A.K.P. ("Aref") ("the Parent Company"), a Kuwaiti share holding Company incorporated in the State of Kuwait. Aref is a subsidiary of Kuwait Finance House K.S.C.P. ("the Ultimate Parent Company"), a registered Islamic Bank with Central Bank of Kuwait and its shares are listed on the Kuwait Stock Exchange.

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

The main activities of the Company are as follows:

- Ownership of shares of Kuwaiti or foreign shareholding companies or units in Kuwaiti or foreign limited liability companies, or establishing, managing, financing and sponsoring such companies.
- Financing and sponsoring entities in which the Company has an ownership interest of not less than 20% in such entities.
- Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside or outside State of Kuwait.
- Ownership of movable assets or real estates required to pursue the Company's activities within the limits acceptable by law.
- Utilizing available surplus funds by investing these funds in portfolios managed by specialized parties.

All activities are conducted in accordance with Islamic sharee'a

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****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").

**Basis of preparation**

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of certain financial assets available for sale, investment properties and non-current assets held for sale.

The consolidated financial statements have been presented in Kuwaiti Dinar (KD) which is also the Company's functional and presentation currency.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries (investees which are controlled by the Company) as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

The subsidiaries of the Company are as follows:

	Country of <u>incorporation</u>	Equity Interest as at 31 December	
		<u>2013</u>	<u>2012</u>
Gulf Real Estate Development House Co. K.S.C. (Closed)	Kuwait	<b>75%</b>	75%
Sokouk Investment Advisory Co.	Cayman Island	<b>100%</b>	100%
Sokouk Real Estate Co.- K.S.C. (Closed)	Kuwait	<b>96.52%</b>	96.52%
Gulf Money House for Money Collection- W.L.L.	Kuwait	<b>99%</b>	99%
Sokouk Al Aqlemiya Trading Co.-W.L.L.*	Kuwait	<b>99%</b>	99%
Sokouk Al Arabia Trading Co.-W.L.L.*	Kuwait	<b>99%</b>	99%
Sokouk Al Oula Trading Co.-W.L.L.*	Kuwait	<b>99%</b>	99%
Sokouk Al Kuwaitia Trading Co.-W.L.L.*	Kuwait	<b>99%</b>	99%
Sokouk Al Islamia Trading Co.-W.L.L.*	Kuwait	<b>99%</b>	99%

\*The Company's effective holding in these subsidiaries is 100%

### Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following new and amended standards and interpretation, applicable to the Group, and which are effective as of 1 January 2013:





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Changes in accounting policies (continued)

*IFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment) (effective for annual periods beginning on or after 1 January 2013)*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on a Group's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard does not have any material impact on the consolidated financial statements of the Group.

*IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective for annual periods beginning on or after 1 July 2012)*

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore has no impact on the Group's financial position or performance.

*IAS 27 Separate Financial Statements (as revised in 2011)*

IAS 27 Separate Financial Statements contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The Group does not present separate financial statements.

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

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The standard has no effect on the financial position or performance of the Group.

*IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)*

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. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three 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. IFRS 10 had no impact on the consolidation of investments held by the Group.

*IFRS 11 Joint Arrangements (Effective for annual periods beginning on or after 1 January 2013)*

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venture. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 has no impact on the Group's financial position or performance.

*IFRS 12 - Disclosure of Involvement with Other Entities*

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to disclose information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of the consolidated entities. The adoption of this standard has not resulted in any significant additional disclosure in the consolidated financial statement of the Group.

*IFRS 13 - Fair Value measurement*

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Changes in accounting policies (continued)

IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 20.

New and revised standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

#### *IFRS 9 Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

#### *IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

#### *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

#### *IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

#### *IFRIC Interpretation 21 Levies (IFRIC 21)*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payments are being made. Revenue is measured at the fair value of the consideration received or receivable. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that in most of the revenue arrangements it is acting as a principal. The following specific recognition criteria must also be met before revenue is recognised:

*Rental income*

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

*Gain or loss on sale of investment properties and investment securities*

Gain or loss on sale of investment properties and investment securities is recognised when the sale transaction is consummated.

*Sale of sokouk*

Sales of sokouk represent the total contracts' value of sokouk sold during the year. Revenue from sale of sokouk is recognized when significant risks and rewards of ownership of sokouk are transferred to the buyer.

*Dividend income*

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

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

**Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of income in the period in which they are incurred.

**Taxation***Kuwait Foundation for the Advancement of Sciences (KFAS)*

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

*National Labour Support Tax (NLST)*

National Labor Support Tax is calculated at 2.5% of the profit of the Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration in accordance with Law No. 19/2000 and Ministerial resolution No. 24/2006 and their executive regulations.

*Zakat*

Zakat is calculated at 1% of the profit of the Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration in accordance with Law No. 46/2006 and Ministry of Finance resolution No. 58/2007 and their executive regulations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, loans and receivables, financial assets available for sale, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### Subsequent measurement

The Group's financial assets include cash and cash equivalents, accounts receivable, amounts due from related parties and financial assets available for sale.

#### Cash and cash equivalents

For purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances, short term deposits and mudaraba deposits. Mudaraba deposits represents an agreement whereby the Group gives certain amount of cash to another party to be invested according to specific conditions in return for certain fee. Mudaraba deposits are stated at amortized cost using the effective yield method.

#### Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

#### Financial assets available for sale

Financial assets available for sale include equity investments. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to the consolidated statement of income.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- 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 the risks and rewards of the asset, but has transferred control of the asset.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial assets (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 of 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.

#### Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets available for sale*

For available for sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include account's payable, due to financial institutions, murabaha payables and amounts due to related parties.

#### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

#### *Due to financial institutions and murabaha payables*

Due to financial institution and murabaha payables represents financing agreements whereby the Company takes certain amount of cash from other parties, and invests it according to specific conditions in return for certain fee (percentage of the amount invested). Finance charges are accounted on a time proportion basis.

#### *Accounts payable*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Financial liabilities (continued)**

#### ***Derecognition of financial liabilities***

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is 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, to realise the assets and settle the liabilities simultaneously.

#### ***Impairment of non-financial assets***

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on soukoku utilisation rights, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidation statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Sokouk utilisation rights**

Sokouk utilisation rights represent sokouks that are held by the Company either for trading purposes or to keep as long term investment, and are stated at cost less impairment (if any).

### **Investment in associates**

The Group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated statement of income and represents profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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 associates. 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 consolidated statement of income.

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

### **Property and equipment**

Property and equipment represent cost of free hold land and subsequent cost incurred. The costs are capitalised and included as part of property and equipment and will be depreciated over the useful life of the property and equipment when the property under construction is completed.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is computed on a straight-line basis over the estimated useful lives of items of property and equipment and will be depreciated over the useful life of the property and equipment when the property under construction is completed.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties

Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuers.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

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

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement

#### *Leases where the Group is a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are reflected in the consolidated income statement.

Operating lease payments are recognised as expense on straight line basis over the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Increase in fair valuation should be recorded to a revaluation surplus within the consolidated statement of comprehensive income. If a revaluation increase reverses a revaluation decrease that was previously recognised as an expense, it may be credited to the consolidated income statement. Decreases in valuation should be charged to consolidated income statement, except to the extent that they reverse an existing revaluation surplus.

#### *Leases where the Group is a lessor*

Leases where the Group doesn't transfer substantially all the risks and benefits of ownership of the assets are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they have earned.

### Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Non-current assets held for sale (continued)

In the consolidated statement of the income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the consolidated statement of income.

Non-current assets classified as held for sale are not depreciated or amortised.

### Treasury shares

Treasury shares consist of the 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, "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 and then to the statutory and voluntary reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of stock dividend increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

### Foreign currencies

The Group's consolidated financial statements are presented in Kuwait Dinars, which is also the Company's functional currency.

#### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the respective entity's income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

#### *Group companies*

The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

### Fair values measurement applicable after 1 January 2013

The Group measures financial instruments, such as financial assets available for sale and non-financial assets such as investment properties at each reporting date.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fair values measurement applicable after 1 January 2013 (continued)

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Fair values measurement applicable before 1 January 2013

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

### Employees' end of service benefits

The Group provides end of service benefits to its employees under the Kuwait labour law. The entitlement to these benefits is usually based upon the employees' length of service. The expected costs of these benefits are accrued over the period of employment.

### Contingencies

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

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

### Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Significant accounting judgments, estimates and assumptions**

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

### **Judgements other than estimates**

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

#### *Classification of real estate and leasehold property*

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

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

The management classifies real estate as property under development if it is acquired with the intention of development.

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

#### *Provision for doubtful debts*

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

#### *Classification of investments*

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

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. The Group classifies investments as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other investments are classified as "available for sale".

#### *Impairment of investments*

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

### **Estimates and assumptions**

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

#### *Fair value of unquoted equity investments*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting judgments, estimates and assumptions (continued)

#### Estimates and assumptions (continued)

##### *Provision for doubtful debts and sokouk utilisation rights*

The extent of provision for doubtful debts and sokouk utilisation rights involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of sokouk utilisation rights is written down to their net realizable value when the sokouk utilisation rights are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and sokouk utilisation rights are subject to management approval.

##### *Useful lives of property and equipment*

Management of the Company assigns useful lives and residual values to property and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

##### *Valuation of investment properties*

The Group carries its investment properties at fair value, with changes in fair value being recognized in the income statement. For the investment property the valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

##### *Impairment of non-financial assets*

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**3. BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

The Company did not have any diluted shares as at 31 December.

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

	2013 KD	2012 KD
Profit for the year attributable to equity holders of the Company	<u>18,229,169</u>	<u>5,337,445</u>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year	<u>518,499,848</u>	<u>537,538,245</u>
<b>Basic and diluted earnings per share</b>	<b><u>35 fils</u></b>	<b><u>10 fils</u></b>

**4. INCOME FROM INVESTMENT PROPERTIES**

	2013 KD	2012 KD
Rental income	129,684	19,744
Cost of rental income	(58,778)	(16,241)
Change in fair value of investment properties	161,450	-
Gain on sale of investment properties	<u>332,316</u>	<u>-</u>
	<b><u>564,672</u></b>	<b><u>3,503</u></b>

**5. NET INVESTMENT INCOME (LOSS)**

	2013 KD	2012 KD
Realised gain on sale of financial assets available for sale	184,052	108,968
Impairment loss on financial assets available for sale	(193,760)	(443,147)
Dividend income	<u>77,650</u>	<u>58,837</u>
	<b><u>67,942</u></b>	<b><u>(275,342)</u></b>

**6. NET WRITEBACK OF PROVISIONS**

	2013 KD	2012 KD
Net provision write back (charge) against amounts due from related parties*	11,464,906	(438,900)
Write back of provision on wakala receivables	-	3,539,727
Provision (write back of provision) on other accounts receivables	(573,033)	435,289
Provision on sokouk utilisation rights	<u>(30,745)</u>	<u>(33,040)</u>
	<b><u>10,861,128</u></b>	<b><u>3,503,076</u></b>

\* Includes provision of KD 1,000,000 made on amounts due from related parties.

## 7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 KD	2012 KD
Accounts receivable	1,037,822	1,037,822
Receivable on sale of sokouk utilisation rights	651,669	847,989
Other receivables	86,644	89,972
Amounts due from related parties	3,931,471	38,436,787
Advance paid towards purchase of sokouk utilisation rights*	7,284,200	7,284,200
Advance paid to contractors for development of property and equipment	2,614,318	4,319,193
Receivables from sale of investment property **	2,480,000	-
Receivables from redemption of financial assets available for sale (Note 8)	847,590	-
Advance paid for acquisition of an investment property	-	1,014,550
Less: Provisions	<u>(5,452,192)</u>	<u>(17,206,164)</u>
	<u><b>13,481,522</b></u>	<u><b>35,824,349</b></u>

\* Advance paid towards purchase of sokouk utilisation rights represent amount paid by the Group for the purchase of real estate sokouks in a property in the Kingdom of Saudi Arabia which is under development as at reporting date.

\*\* Receivables from sale of investment property were collected in full subsequent to the reporting date.

### The movement of provisions is as follows:

	2013 KD	2012 KD
Balance at the beginning of the year	17,206,164	16,706,164
Charge for the year	1,573,033	500,000
Less: write back during the year (Note 6)	(12,464,906)	-
Less: Provision utilised	<u>(862,100)</u>	<u>-</u>
Balance at the end of the year	<u><b>5,452,192</b></u>	<u><b>17,206,164</b></u>

## 8. FINANCIAL ASSETS AVAILABLE FOR SALE

	2013 KD	2012 KD
Managed quoted portfolios	1,189,346	1,599,245
Unquoted equity securities	<u>4,822,515</u>	<u>6,675,914</u>
	<u><b>6,011,861</b></u>	<u><b>8,275,159</b></u>

During the year, the Group redeemed its investment in financial assets available for sale with the carrying value of KD 1,334,662 for total redemption value of KD 1,421,649, resulting in gain of KD 86,987. As at 31 December 2013, the Company has collected redemption proceeds of KD 574,104 and has recorded remaining amount of KD 847,590 as receivable on redemption of financial assets available for sale (Note 7).



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## 9. INVESTMENTS IN ASSOCIATES

Details of the Group's associates are as follow:

Name of company	Country of Incorporation	Equity interest (Restated)*		Carrying value (Restated)*	
		2013 %	At 1 January 2012 % (Restated)*	2013 KD	2012 KD (Restated)*
Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat")	Kuwait	27.67	27.67	17,423,274	10,389,013
Mas Holding Company - K.S.C.(Closed) ("MAS Holding")	Kuwait	40	40	-	-
Joint Venture - Qitaf ("Qitaf JV")	Kuwait	17.15	17.15	1,763,607	1,852,158
The Zamzam 2013 JV ("Zamzam JV")	Kuwait	24.77	-	33,867,051	-
				<b>53,053,932</b>	<b>12,241,171</b>
					<b>8,838,894</b>

The following table illustrates summarised financial information of the Group's investment in its associates:

	Munshaat		MAS Holding		Qitaf JV		ZamZarm JV		2013		(Restated)*	
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	At 1 January 2012	At 1 January 2012
Non-current assets	99,209,633	152,800	11,531,651	131,298,775	242,192,859	184,120,477	185,021,990					
Current assets	34,016,631	6,810,935	196,027	7,473,202	48,496,795	49,437,788	34,913,179					
Non-current liabilities	(4,221,505)	(163,619)	(1,110,134)	-	(5,495,258)	(17,397,080)	(26,008,437)					
Current liabilities	(56,711,914)	(7,417,190)	(334,116)	(2,033,907)	(66,497,127)	(159,908,557)	(159,822,007)					
Non-controlling interest	(4,539,459)	(197,087)	-	-	(4,736,546)	(4,254,372)	415,174					
Net assets attributable to the share holders of the associates	<b>67,753,386</b>	<b>(814,161)</b>	<b>10,283,428</b>	<b>136,738,070</b>	<b>213,960,723</b>	<b>51,998,256</b>	<b>34,519,899</b>					
Associates' results for the year	<b>7,958,002</b>	<b>2,962,215</b>	<b>1,263,443</b>	<b>11,470,122</b>	<b>23,653,782</b>	<b>8,878,219</b>	<b>18,914,979</b>					
Revenue	<b>30,253,931</b>	<b>168,316</b>	<b>(513,871)</b>	<b>(234,473)</b>	<b>29,674,903</b>	<b>10,627,958</b>	<b>(16,944,216)</b>					
Group's share of results for the year	<b>8,371,263</b>	-	<b>(88,129)</b>	<b>(58,079)</b>	<b>8,225,055</b>	<b>2,846,167</b>	<b>(4,903,053)</b>					
Other adjustments					<b>(1,341,600)</b>	-	-					
Net share of results	<b>4,597</b>	-	-	-	<b>4,597</b>	<b>539,993</b>	<b>(47,207)</b>					
Group's share of associates' other comprehensive income for the year												

The market value of investment in Munshaat Real Estate Projects Company- K.S.C.P. as at 31 December 2013 is KD 13,899,194 (2012- KD 5,791,126).

Other adjustments for the current year mainly include KD 1,341,600 that represents the realised portion of gain on downstream transaction that was eliminated at the time of transfer of leasehold property to Zamzam.

## 9. INVESTMENTS IN ASSOCIATES (continued)

\*During the year ended 31 December 2013, the Company signed a Joint Venture Contract with The Zamzam 2013 JV ("the JV Contract") along with other lenders and creditors ("creditors") to settle amounts due from Munshaat Real Estate Projects K.S.C. (Closed) ("associate"). Under the JV Contract, the associate has transferred its 100% interest in the Zamzam Tower and the property and equipment related to the Zamzam Tower (together referred as "leasehold property") to a newly unincorporated Joint Venture "The Zamzam 2013 JV" ("the JV") in exchange for settlement of its liabilities against these creditors. The financial impact of the above in the Group's consolidated financial statements for the year ended 31 December 2013 are as follows:

i. Settlement of amounts due from an associate:

As at 31 December 2013, the Company had amounts due from associate, net of provision of KD 21,460,224. The associate transferred its interest in the leasehold property to the JV at a fair value of KD 136,972,638, determined by the valuation performed by an independent real estate valuator, as full and final settlement of amounts due to creditors. As part of the settlement, the Group has acquired ownership interest of 24.77% in the JV equivalent to KD 33,925,130. Accordingly, the Company has reversed the provision of KD 12,464,906 on settlement of amounts due from associate in the consolidated statement of income.

ii. Accounting of the Company's participating interest in the JV:

As per the JV Contract, the Company has participating interest in the JV of 24.77% which is classified as "Investment in Associates". The Group has assessed the impact of IFRS 10 - Consolidated Financial Statements ("IFRS 10") and IFRS 11 - Joint Arrangements ("IFRS 11") due to the participating interest of 24.77% in JV. The management, based on their assessment, has concluded that the participating interest in the JV does not fall under the purview of IFRS 10 and IFRS 11. Hence, the Group classified its participating interest in the JV as "Investment in Associates" in the consolidated statement of financial position.

## 10. PROPERTY AND EQUIPMENT

	2013 KD	(Restated) 2012 KD	(Restated)* At 1 January 2012 KD
Balance at the beginning of the year (restated)	20,950,895	11,984,633	13,401,456
Additions during the year	5,463,639	9,281,989	2,572,282
Reversal of impairment (impairment loss) of property and equipment	978,213	(315,727)	(2,331,381)
Effect of restatement (Note 22)	-	-	(1,657,724)
	<u>27,392,747</u>	<u>20,950,895</u>	<u>11,984,633</u>

Property and equipment represent cost of free hold land and subsequent cost incurred and payments to subcontractors to construct a hotel in Kuwait.

Cumulative borrowing costs amounting to KD 2,134,593 (2012: KD 1,141,300) has been capitalised as additions to property and equipment.

Property and equipment of KD 27,392,747 (2012: KD 20,950,895 and 2011: KD 11,984,633) is mortgaged as collateral against amounts due to financial institution (Note 15).





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## 11. Investment property

	2013 KD	2012 KD
Additions	4,147,234	-
Disposal	(2,147,684)	-
Change in fair value	161,450	-
As at 31 December	<u>2,161,000</u>	<u>-</u>

Investment property comprise of residential building located in Kuwait.

The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who specialised in valuing these types of investment properties. One of these valuers is a local bank who has valued the investment properties using "Yield Method" and the other is a local reputable accredited valuer who has valued the investment properties using the combination of the market comparison approach for the land and cost approach for the construction work executed to date. For the valuation purpose, the Company has selected the lower of these two valuations, as required by the local regulatory requirement.

Based on 5% increase/decrease in average market prices (per sqm), the value of the investment property would increase/decrease by KD 142 per sqm which would impact the consolidated statement of income with total amount of KD 108,050 (2012: Nil).

Investment property is mortgaged as collateral against amounts due to financial institution amounting to KD 1,922,162 (2012: Nil) (Note 15).

### Fair value hierarchy

The fair value measurement of investment property has been categorised as level 3 fair value based on inputs to the valuation technique used.

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

2013	Kuwait
Estimated market price for the land (per sqm) (KD)	1,750
Construction costs (per sqm) (KD)	149
Average monthly rent (per sqm) (KD)	4
Yield rate	6.58%
Occupancy rate	100%

## 12. NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2012, the Group received joint ownership in lands as part of the final settlement of Wakala investment. The Group's share in the jointly owned lands is KD 1,711,733 (2012: KD 1,711,733). The joint ownership in lands has been accounted as non-current assets held for sale since the joint owners of the lands have decided to sell the lands.

Group was unable to complete the sale of the joint ownership in land within a period of one year from the date of classification as non-current assets held for sale due to lack of demand. Joint owners are committed to a plan to sell the land in its present location and condition and are actively engaged in a programme to locate a buyer and complete the sale within one year from the reporting date at a reasonable price. Accordingly management has continued to classify the joint ownership in land as non-current asset held for sale.

### 13. RELATED PARTY TRANSACTIONS

Related parties represent Parent Company, Ultimate Parent Company, major shareholders, associates, joint venture, directors and key management personnel of the Group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	Parent Company/ Ultimate Parent Company KD	Associates KD	Others KD	<b>2013</b>  KD	2012  KD
Consolidated statement of income:					
Finance costs	389,689	-	-	<b>389,689</b>	342,324
Provision against amounts due from related parties	-	(1,000,000)	-	<b>(1,000,000)</b>	-
Writeback of provision against amounts due from related parties	-	12,464,906	-	<b>12,464,906</b>	-
Other income	17,865	67,718	-	<b>85,583</b>	-

	Parent Company/ Ultimate Parent Company KD	Associates KD	Others KD	<b>2013</b>  KD	2012  KD
Consolidated statement of financial position:					
Cash in managed portfolio	-	-	-	-	61,220
Financial assets available for sale managed by related party	-	-	1,189,346	<b>1,189,346</b>	1,588,600
Amounts due from related parties	-	300,454	1,626,006	<b>1,926,460</b>	24,104,771
Amounts due to related parties	125,200	-	870,552	<b>995,752</b>	1,320,555
Islamic finance payables	25,079,501	-	-	<b>25,079,501</b>	21,223,547

#### Other transactions

Acquisition of investment in an associate (Note 9)	-	33,925,130	-	<b>33,925,130</b>	-
Financial assets available for sale	337,500	-	-	<b>337,500</b>	-

Amounts due from/ due to related parties are receivables/ payables on demand and do not carry any profit.

Amounts due from related parties are stated net of provision amounting to KD 2,162,919 (2012: KD 14,547,516).



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### 13. RELATED PARTY TRANSACTIONS (continued)

#### Key management compensation

	2013 KD	2012 KD
Salaries and other short term benefits	341,886	204,540
End of service benefits	17,567	24,075
Board of directors' remuneration for 2013	<u>130,000</u>	<u>35,000</u>
	<u><u>489,453</u></u>	<u><u>263,615</u></u>

The board of director's remuneration for 2013 is subject to approval of shareholders in the general assembly meeting.

Further, the board of director's remuneration of KD 35,000 that was proposed by the board of directors for the year ended 31 December 2012 was not taken up for the approval of shareholders in the annual general meeting held on 26 May 2013 and accordingly this provision has been reversed in the current year.

### 14. EQUITY, RESERVES AND GENERAL ASSEMBLY

#### a) Share capital

Authorized, issued and fully paid-up capital amounting to KD 53,800,000 (2012: KD 53,800,000) consist of 538,000,000 (2012: 538,000,000) shares of 100 fils each and all shares are paid in cash.

The annual general meeting of the shareholders held on 26 May 2013 approved the consolidated financial statements for the year ended 31 December 2012.

The board of directors have recommended to distribute 5% bonus shares (2012: Nil) for the financial year ended 31 December 2013 subject to being approved by the shareholders at the annual general meeting ("AGM"), the bonus shares shall be distributed to shareholders registered in the Company's records as of the AGM date.

#### b) Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit before directors fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and Zakat should be transferred to the statutory reserve. The Company may discontinue such transfer when the reserve totals 50% of paid-up share capital. Distribution of the 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 dividend of that amount.

#### c) Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year before directors fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and Zakat should be transferred to general reserve. The Company may resolve to discontinue such annual transfers in accordance with a resolution of the parent company's ordinary general meeting based on proposal submitted by the parent company's board of directors

#### d) Treasury shares

	2013	2012
Number of treasury shares	19,500,152	19,500,152
Percentage of capital	3.6%	3.6%
Market value - KD	2,262,018	1,794,000

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

#### e) Extinguishment of accumulated losses

The Ordinary and Extraordinary General Assembly Meeting of the Company's shareholders' held on 5 August 2012 approved the extinguish of the accumulated losses attributable to the Company as at 31 December 2011 amounting to KD 68,158,212 against voluntary reserve of KD 2,229,106, statutory reserve of KD 2,229,106, share premium of KD 17,500,000 and share capital of KD 46,200,000 as at that date.

## 15. ISLAMIC FINANCE PAYABLES

Islamic finance payables represent facilities obtained from a local Islamic financial institution and carry average profit rate ranging from 4.5% to 7.37% (2012: 4.5% to 7.37%) per annum.

Islamic finance payables amounting to KD 18,989,038 (2012: KD 13,436,301) is secured by the property and equipment of KD 27,392,747 (2012: 20,950,895) (Note 10) and investment property of KD 2,161,000 (2012: Nil) (Note 10).

## 16. ACCOUNTS PAYABLE AND ACCRUALS

	2013 KD	2012 KD
Due to contractors	<b>309,379</b>	632,993
Amounts due to related parties (Note 13)	<b>995,752</b>	1,320,555
Retention payable	<b>1,370,137</b>	1,021,294
Staff payables	<b>89,619</b>	64,505
Other payables	<b>519,353</b>	206,475
	<b><u>3,284,240</u></b>	<b><u>3,245,822</u></b>

## 17. SEGMENT INFORMATION

The Group primarily engages in real estate business activities and its primary basis for segmental reporting is geographical segments, which is subject to risks and rewards that are different from those of other segments.

The Group operates in three geographical markets: Domestic and International. The geographical analysis is as follows:

	2013				2012			
	Real estate KD	Investment KD	Others KD	Total KD	Real estate KD	Investment KD	Others KD	Total KD
Segment revenue*	<b>564,672</b>	<b>6,951,397</b>	<b>620,571</b>	<b>8,136,640</b>	3,503	2,570,825	663,663	3,237,991
Segment expenses	<b>907,793</b>	<b>(350,014)</b>	<b>9,937,699</b>	<b>10,495,478</b>	(315,727)	(342,324)	2,709,645	2,051,594
Segment results	<b>1,472,465</b>	<b>6,601,383</b>	<b>10,558,270</b>	<b>18,632,118</b>	(312,224)	2,228,501	3,373,308	5,289,585
Total assets	<b><u>41,717,678</u></b>	<b><u>59,913,383</u></b>	<b><u>3,423,015</u></b>	<b><u>105,054,076</u></b>	<u>34,091,445</u>	<u>20,516,330</u>	<u>26,122,058</u>	<u>80,729,833</u>
Total liabilities	<b><u>20,775,876</u></b>	<b><u>8,012,625</u></b>	<b><u>1,648,313</u></b>	<b><u>30,436,814</u></b>	<u>15,209,381</u>	<u>7,787,246</u>	<u>1,590,020</u>	<u>24,586,647</u>



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## 18. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity profile of undiscounted assets and undiscounted liabilities is as follows:

<b>31 December 2013</b>	<b>Within 1 year KD</b>	<b>1 to 5 years KD</b>	<b>Total KD</b>
<b>ASSETS</b>			
Cash and cash equivalents	1,100,439	-	1,100,439
Accounts receivable and prepayments	7,308,194	6,173,328	13,481,522
Sokouk utilization rights	-	140,842	140,842
Financial assets available for sale	-	6,011,861	6,011,861
Investment in associates	-	53,053,932	53,053,932
Property and equipment	-	27,392,747	27,392,747
Investment properties	-	2,161,000	2,161,000
Non-current assets held for sale	1,711,733	-	1,711,733
<b>TOTAL ASSETS</b>	<b>10,120,366</b>	<b>94,933,710</b>	<b>105,054,076</b>
<b>LIABILITIES</b>			
Employees' end of service benefits	-	150,911	150,911
Islamic finance payables	5,784,829	21,216,834	27,001,663
Accounts payable and accruals	1,914,103	1,370,137	3,284,240
<b>TOTAL LIABILITIES</b>	<b>7,698,932</b>	<b>22,737,882</b>	<b>30,436,814</b>
<b>31 December 2012</b>	<b>Within 1 year KD</b>	<b>1 to 5 years KD</b>	<b>Total KD</b>
<b>ASSETS</b>			
Cash and cash equivalents	1,539,866	-	1,539,866
Accounts receivable and prepayments	28,904,865	6,919,484	35,824,349
Sokouk utilization rights	-	186,660	186,660
Financial assets available for sale	-	8,275,159	8,275,159
Investment in associates	-	12,241,171	12,241,171
Property and equipment	-	20,950,895	20,950,895
Non-current assets held for sale	1,711,733	-	1,711,733
<b>TOTAL ASSETS</b>	<b>32,156,464</b>	<b>48,573,369</b>	<b>80,729,833</b>
<b>LIABILITIES</b>			
Employees' end of service benefits	-	117,278	117,278
Islamic finance payables	7,247,900	13,975,647	21,223,547
Accounts payable and accruals	2,224,528	1,021,294	3,245,822
<b>TOTAL LIABILITIES</b>	<b>9,472,428</b>	<b>15,114,219</b>	<b>24,586,647</b>

## 19. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, currency risk and equity price risk. It is also subject to prepayment risk and operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

**19. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)*****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 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 reporting date, as summarized below:

	<b>2013</b>	2012
	<b>KD</b>	KD
Cash and cash equivalents	<b>1,100,439</b>	1,539,866
Accounts receivables	<b>13,481,522</b>	35,824,349
	<b><u>14,581,961</u></b>	<u>37,364,215</u>

The figures above show the maximum exposure to credit risk before the effect of mitigation through the use of master netting and collateral agreements if any.

***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the treasury department of the Company. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities is as follows:

	<b>Within 3 months KD</b>	<b>3 to 12 months KD</b>	<b>1 to 5 years KD</b>	<b>Total KD</b>
31 December 2013				
Islamic finance payables	-	2,749,629	26,957,246	29,706,875
Accounts payable and accruals	995,752	918,351	1,370,137	3,284,240
<b>TOTAL LIABILITIES</b>	<b><u>995,752</u></b>	<b><u>3,667,980</u></b>	<b><u>28,327,383</u></b>	<b><u>32,991,115</u></b>
31 December 2012				
Islamic finance payables	-	2,640,000	27,330,917	29,970,917
Accounts payable and accruals	1,320,555	903,973	1,021,294	3,245,822
<b>TOTAL LIABILITIES</b>	<b><u>1,320,555</u></b>	<b><u>3,543,973</u></b>	<b><u>28,352,211</u></b>	<b><u>33,216,739</u></b>



## 19. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as foreign exchange rates, interest rates and equity prices.

#### Foreign exchange risk

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

Currency risk is managed on the basis of limits determined by the Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rates movements. The Group does not engage in foreign exchange trading and does not use derivative financial instruments. Where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate against Kuwaiti dinar, with all other variables held constant, on the Group's profit.

Currency	2013			2012		
	Change in currency rate %	Effect on profit KD	Effect on other comprehensive income KD	Change in currency rate %	Effect on profit KD	Effect on other comprehensive income KD
US Dollar	+/-5	106,284	-	+/-5	2,019,531	102,795

#### Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to profit rate risk as financial assets and liabilities are Islamic financial instruments with fixed profit rates.

#### Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Company. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on equity (as a result of a change in the fair value of non impaired financial assets available-for-sale at 31 December 2013) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

Market indices	2013		2012	
	Change in equity price %	Effect on other comprehensive income KD	Change in equity price %	Effect on other comprehensive income KD
Kuwait Stock Exchange	+/-5	59,467	+/-5	79,959

#### Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not exposed to significant prepayment risk.

## 20. FAIR VALUE MEASUREMENT

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

### Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. This level also includes items whose fair values have been provided by reputable external fund managers; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>2013</b>				
Financial assets available for sale	<b>1,189,346</b>	-	<b>4,822,515</b>	<b>6,011,861</b>
	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>2012</b>				
Financial assets available for sale	1,599,245	-	6,675,914	8,275,159

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value.

	At the beginning of the year KD	Net losses recorded in the consolidated statement of comprehensive income KD	Purchase KD	transfer, sales and settlements KD	At the end of the year KD
<b>2013</b>					
Financial assets available for sale:					
Unquoted	<b>6,675,914</b>	<b>(193,760)</b>	<b>289,186</b>	<b>(1,948,825)</b>	<b>4,822,515</b>
<b>2012</b>					
Financial assets available for sale:					
Unquoted	6,942,363	(443,147)	721,447	(544,749)	6,675,914





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## 21. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and financial position of the Group.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, due to financial institutions, murabaha payables, accounts payable and accruals, amounts due to related parties less cash and bank balances. Capital includes equity attributable to the equity holders of the Parent Company.

	2013 KD	(Restated) 2012 KD
Islamic finance payables	27,001,663	21,223,547
Accounts payable and accruals	3,284,240	3,245,822
Less: Cash and cash equivalents	<u>(1,100,439)</u>	<u>(1,539,866)</u>
Net debt	29,185,464	22,929,503
Equity attributable to the equity holders of the Parent Company	<u>73,959,299</u>	<u>55,691,001</u>
<b>Capital and net debt</b>	<b><u>103,144,763</u></b>	<b><u>78,620,504</u></b>
Gearing ratio	<b><u>28.29%</u></b>	<b><u>29.16%</u></b>

## 22. RESTATEMENT OF COMPARATIVE INFORMATION

The comparative information presented in the consolidated financial statements have been restated in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors to rectify the effect of following errors.

1) During prior years, management of the Company has incorrectly classified cost of freehold land and construction cost, net of impairment related to a hotel project in Kuwait as an investment property. The hotel will be operated by the management on completion of construction work. Accordingly, during the current year management has reclassified the hotel project as property and equipment and restated the comparative information as at 31 December 2012 and 1 January 2012 presented in the consolidated statement of financial position and consolidated statement of income to rectify the effect of an error as follows:

	As previously reported KD	Effect of restatement KD	After restatement KD
<i>Consolidated statement of financial position</i>			
<b>At 31 December 2012</b>			
Property and equipment	-	22,608,619	22,608,619
Investment properties	22,608,619	(22,608,619)	-
<b>At 1 January 2012</b>			
Property and equipment	-	13,642,357	13,642,357
Investment properties	13,642,357	(13,642,357)	-
	As previously reported KD	Effect of restatement KD	After restatement KD
<i>Consolidated statement of income</i>			
<b>At 31 December 2012</b>			
Impairment loss on property and equipment	-	(315,727)	(315,727)
Unrealised loss on revaluation of investment properties	(315,727)	315,727	-
<b>At 1 January 2012</b>			
Impairment loss on property and equipment	-	(2,331,381)	(2,331,381)
Unrealised loss on revaluation of investment properties	(2,331,381)	2,331,381	-

The above restatement had no net impact on the consolidated statement of income and the consolidated statement of changes in equity of the Group.

**22. RESTATEMENT OF COMPARATIVE INFORMATION (continued)**

2) In prior years, the Group has capitalized certain cost amounting to KD 1,657,724 relating to a hotel project in Kuwait which did not meet the capitalization criteria under International Accounting Standards. This resulted in overstatement of Property and Equipment and retained earnings. The comparative information has been restated during the current period to rectify the effect of this error.

	As previously reported KD	Effect of restatement KD	After restatement KD
<i>Consolidated statement of financial position</i>			
<b>At 31 December 2012</b>			
Property and equipment	13,642,357	(1,657,724)	11,984,633
Accumulated losses	(68,158,212)	(1,657,724)	(69,815,936)

**At 1 January 2012**

Property and equipment	22,608,619	(1,657,724)	20,950,895
Retained earnings	4,259,509	(1,657,724)	2,601,785

The above restatement had no impact on the consolidated statement of income and the consolidated statement of changes in equity of the Group.

3) During prior years, management of the Company has incorrectly classified its investment in Joint Venture - Qitaf as investment in Joint Venture. The management based on their assessment, has concluded that the participating interest in Joint Venture – Qitaf does not fall under the purview of IFRS 10 and IFRS 11. Hence Group has classified its participating interest in Qitaf as Investment in Associate. The comparative information as at 31 December 2012 and 1 January 2012 presented in the consolidated statement of financial position has been restated to rectify the effect of this error as follows:

	As previously reported KD	Effect of restatement KD	After restatement KD
<i>Consolidated statement of financial position</i>			
<b>At 31 December 2012</b>			
Investment in Joint Venture	1,852,158	(1,852,158)	-
Investment in associate	-	1,852,158	1,852,158

**At 1 January 2012**

Investment in Joint Venture	1,728,669	(1,728,669)	-
Investment in associate	-	1,728,669	1,728,669

	As previously reported KD	Effect of restatement KD	After restatement KD
<i>Consolidated statement of income</i>			
<b>At 31 December 2012</b>			
Share of results of Joint Venture	107,372	(107,372)	-
Share of result of associate	-	107,372	107,372

**At 31 December 2012**

Share of results of Joint Venture	107,372	(107,372)	-
Share of result of associate	-	107,372	107,372

The above restatement had no net impact on the consolidated statement of income and the consolidated statement of changes in equity of the Group.



## 22. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

4) During prior years, management of the Company has incorrectly classified advance paid towards purchase of sukouk utilisation rights as sokouk utilisation rights as the sokouk utilisation rights is still under development as at the reporting date and the ownership (risk and rewards) has not been transferred to the Group. hence the management has reclassified the balance as advance paid and disclosed under accounts receivable and prepayments and restated the comparative information as at 31 December 2012 and 1 January 2012 presented in the consolidated statement of financial position and consolidated statement of income to rectify the effect of an error as follows:

	As previously reported KD	Effect of restatement KD	After restatement KD
<i>Consolidated statement of financial position</i>			
<b>At 31 December 2012</b>			
Accounts receivables and prepayments	30,182,949	5,641,400	35,824,349
Sokouk utilisation rights	5,828,060	(5,641,400)	186,660
<b>At 1 January 2012</b>			
Accounts receivables and prepayments	29,078,009	5,206,111	34,284,120
Sokouk utilisation rights	5,367,882	(5,206,111)	161,771
	As previously reported KD	Effect of restatement KD	After restatement KD
<i>Consolidated statement of income</i>			
<b>At 31 December 2012</b>			
Write back of provision on other accounts receivables	-	435,289	435,289
Write back of provision on sokouk utilisation rights	435,289	(435,289)	-
<b>At 1 January 2012</b>			
Provision on other accounts receivables	-	(257,040)	(257,040)
Provision on sokouk utilisation rights	(257,040)	257,040	-

The above restatement had no net impact on the consolidated statement of income and the consolidated statement of changes in equity of the Group.

## 23. COMMITMENTS AND CONTINGENCIES

The Group had capital commitments towards construction contracts relating to property and equipment amounting to KD 1,290,112 (2012: 2,456,712).

