SOKOUK HOLDING COMPANY - K.S.C. (HOLDING)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH
INDEPENDENT AUDITORS' REPORT

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AND ITS SUBSIDIARIES
STATE OF KUWAIT

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WITH
INDEPENDENT AUDITORS' REPORT

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Independent auditors' report

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Sokouk Holding Company - K.S.C. (Holding)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sokouk Holding Company - K.S.C. (Holding) (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sokouk Holding Company - K.S.C. (Holding) as of December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

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

Ali Owaid Rukheyes
Licence No. 72-A
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Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
March 31, 2013

SOKOUK HOLDING COMPANY - K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2012	2011
Cash on hand and at banks		**1,539,866**	948,639
Mudaraba deposits		**-**	350,000
Accounts receivable and other debit balances	3	**6,077,898**	2,545,853
Sokouk utilization rights	4	**5,828,060**	5,367,882
Due from related parties	5	**24,104,771**	26,531,278
Investments available for sale	6	**8,275,159**	8,223,338
Investment in associates	7	**10,389,013**	7,110,225
Investment in joint venture	8	**1,852,158**	1,728,669
Investment property under development	9	**22,608,619**	13,642,357
Fixed assets		**280**	878
Non current assets held for sale	23	**1,711,733**	-
Total assets		**82,387,557**	66,449,119
LIABILITIES AND EQUITY			
Liabilities:			
Due to financial institution	10	**13,436,301**	4,627,513
Murabaha payables	11	**7,787,246**	6,574,155
Accounts payable and other credit balances	12	**1,925,267**	1,251,201
Due to related parties	5	**1,320,555**	514,870
Provision for end of service indemnity	13	**117,278**	91,260
Total liabilities		**24,586,647**	13,058,999
Equity:			
Share capital	14	**53,800,000**	100,000,000
Share premium	15	**-**	17,500,000
Statutory reserve	16	**538,968**	2,229,106
Voluntary reserve	17	**538,968**	2,229,106
Treasury shares	18	**(1,769,871)**	-
Effect of changes in other comprehensive income of associates		**(20,337)**	(560,330)
Foreign currency translation adjustments		**(58,558)**	(72,112)
Cumulative changes in fair value		**60,046**	(329,719)
Retained earnings (accumulated losses)		**4,259,509**	(68,158,212)
Equity attributable to shareholders of the Parent Company		**57,348,725**	52,837,839
Non-controlling interests		**452,185**	552,281
Total equity		**57,800,910**	53,390,120
Total liabilities and equity		**82,387,557**	66,449,119

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements

Feras Fahad Al Bahar
Chairman & Chief Executive Officer

Mohammad Mubarak Al Hajeri
Vice Chairman

SOKOUK HOLDING COMPANY - K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Revenue:			
Other operating income	19	**276,524**	531,078
		276,524	531,078
Expenses and charges:			
General and administrative expenses	20	**(791,076)**	(828,230)
Depreciation		**(598)**	(9,710)
		(791,674)	(837,940)
Operating loss		**(515,150)**	(306,862)
Net provision for doubtful debts	21	**(438,900)**	(1,281,611)
Impairment reversal (charge) on sokouk utilization rights	4	**402,249**	(257,040)
Net investment loss	22	**(275,342)**	(349,760)
Group's share of results from associates	7	**2,738,795**	(4,758,624)
Group's share of results from joint venture	8	**107,372**	(144,429)
Change in fair value of investment property under development	9	**(315,727)**	(2,331,381)
Provision for wakala investment no longer required	23	**3,539,727**	-
Foreign currency exchange gain (loss)		**388,885**	(292,383)
Management fee cancelled	24	**-**	(437,308)
Finance charges		**(342,324)**	(454,429)
Net profit (loss) before contribution to Kuwait Foundation for Advancement of Sciences and Board of Directors' remuneration		**5,289,585**	(10,613,827)
Contribution to KFAS	25	**(17,236)**	-
Board of Directors' remuneration		**(35,000)**	-
Net profit (loss) for the year		**5,237,349**	(10,613,827)
Attributable to :			
Shareholders of the Parent Company		**5,337,445**	(10,170,323)
Non-controlling interests		**(100,096)**	(443,504)
Net profit (loss) for the year		**5,237,349**	(10,613,827)
		Fils	Fils
Earnings (loss) per share attributable to the shareholders of the Parent Company	28	**9.93**	(18.90)

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements

SOKOUK HOLDING COMPANY - K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Net profit (loss) for the year		**5,237,349**	(10,613,827)
Other comprehensive income (loss):			
Exchange differences on translating foreign operations		**13,554**	(16,201)
Change in fair value of investments available for sale	6	**389,765**	(456,649)
Share of other comprehensive income from associates	7	**539,993**	(47,207)
Other comprehensive income (loss) for the year		**943,312**	(520,057)
Total comprehensive income (loss) for the year		**6,180,661**	(11,133,884)
Attributable to :			
Shareholders of the Parent Company		**6,280,757**	(10,690,380)
Non-controlling interests		**(100,096)**	(443,504)
Total comprehensive income (loss) for the year		**6,180,661**	(11,133,884)

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements

SOKOUK HOLDING COMPANY - K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company										
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Effect of changes in other comprehensive income of associates	Foreign currency translation adjustments	Cumulative changes in fair value	Accumulated losses (Retained earnings)	Sub total	Non-controlling interests	Total equity
Balance at December 31, 2010	100,000,000	17,500,000	2,229,106	2,229,106	-	(513,123)	(55,911)	126,930	(57,987,889)	63,528,219	995,785	64,524,004
Total comprehensive loss for the year	-	-	-	-	-	(47,207)	(16,201)	(456,649)	(10,170,323)	(10,690,380)	(443,504)	(11,133,884)
Balance at December 31, 2011	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
Reduction of capital (Note 32)	(46,200,000)	(17,500,000)	(2,229,106)	(2,229,106)	-	-	-	-	68,158,212	-	-	-
Total comprehensive income (loss) for the year	-	-	-	-	-	539,993	13,554	389,765	5,337,445	6,280,757	(100,096)	6,180,661
Purchase of treasury shares	-	-	-	-	(1,769,871)	-	-	-	-	(1,769,871)	-	(1,769,871)
Transfer to reserves	-	-	538,968	538,968	-	-	-	-	(1,077,936)	-	-	-
Balance at December 31, 2012	**53,800,000**	**-**	**538,968**	**538,968**	**(1,769,871)**	**(20,337)**	**(58,558)**	**60,046**	**4,259,509**	**57,348,725**	**452,185**	**57,800,910**

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements

SOKOUK HOLDING COMPANY - K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(All amounts are in Kuwaiti Dinars)

	2012	2011
Cash flows from operating activities:		
Net profit (loss) before contribution to KFAS and Board of Directors' remuneration	5,289,585	(10,613,827)
Adjustments for:		
Depreciation	598	9,710
Net provision for doubtful debts	438,900	1,281,611
Impairment (reversal) charge on sokouk utilization rights	(402,249)	257,040
Net investment loss	275,342	349,760
Group's share of results from associates	(2,738,795)	4,758,624
Group's share of results from joint venture	(107,372)	144,429
Change in fair value of investment property under development	315,727	2,331,381
Provision for wakala investment no longer required	(3,539,727)	-
Finance charges	342,324	454,429
Provision for end of service indemnity	30,921	33,056
Management fee cancelled	-	437,308
	(94,746)	(556,479)
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(3,589,974)	801,693
Due from related parties	1,985,824	1,228,969
Accounts payable and other credit balances	596,373	(2,014,247)
Due to related parties	804,905	9,534
Cash generated from operations	(297,618)	(530,530)
End of service indemnity paid	(4,903)	(40,325)
Net cash used in operating activities	(302,521)	(570,855)
Cash flows from investing activities:		
Proceeds from (paid for) mudaraba deposits	350,000	(350,000)
Proceeds from investment in wakala	1,827,994	-
Purchase of investments available for sale	(1,031,249)	(1,573,316)
Proceeds from sale of investments available for sale	1,035,014	1,604,645
Dividend income received	58,837	20,128
Dividend received from an associate	-	400,000
Paid for additions to investment property under development	(6,787,744)	(3,009,590)
Purchase of fixed assets	-	(9,143)
Net cash used in investing activities	(4,547,148)	(2,917,276)
Cash flows from financing activities:		
Increase in due to financial institution	6,340,000	4,421,588
Purchase of treasury shares	(1,769,871)	-
Net movement in murabaha payables	870,767	(1,322,463)
Net cash generated from financing activities	5,440,896	3,099,125
Net increase (decrease) in cash on hand and at banks	591,227	(389,006)
Cash on hand and at banks at the beginning of the year	948,639	1,337,645
Cash on hand and at banks at the end of the year	1,539,866	948,639

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements

1. Incorporation and activities

Sokouk Holding Company – K.S.C. (Holding) "the Parent Company", (previously known as Sokouk Real Estate Development Company – K.S.C. (Closed) and prior before as Al-Wasta Real Estate Development Company – K.S.C. (Closed)), is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 1909/Volume 1 on August 23, 1998 and registered in the Commercial Register under Ref. No. 74323 dated August 29, 1998 and subsequent amendments thereto.

The main activities of the Parent 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 Parent 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 Parent Company's activities within the limits acceptable by law.

- Utilizing available surplus funds by investing these funds in portfolios managed by specialized parties.

The Parent Company shall have the right to have an interest or to take part in any manner with the entities that practice similar operations, or that may help the Parent Company to achieve its objectives inside and outside the State of Kuwait. The Parent Company shall also acquire these entities or merge them with the Parent Company. The objectives for which the Parent Company was established shall be practiced according to Islamic Shari'a.

The Parent Company's registered address is P.O. Box 29110 – Safat – Postal code 13152 - State of Kuwait.

The Parent Company was listed in the Kuwait Stock Exchange on December 27, 2005.

The major shareholder of the Parent Company is Aref Investment Group – K.S.C. (Closed) .

On November 29, 2012, a Decree Law No. 25 of 2012 promulgating the Companies Law was published in the official gazette, and Companies existing upon the entry into force of this law shall reconcile their status with its provisions within six months of its effective date, and as may be specified in the Executive Regulation.

The consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2013. The Shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

2. Significant accounting policies

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

a) Basis of Preparation

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

The accounting policies applied by the Group are consistent with those used in the previous year. except for the changes due to implementation of the following amended International Financial Reporting Standard as of January 1, 2012:

IFRS 7: Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amendment) (effective July 1, 2011):

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the Group's continuing involvement in those derecognized assets. The adoption of the amendment did not have any material impact on the financial position or performance of the Group.

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

Standards issued but not effective

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

IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories
- Items that will not be reclassified, subsequently to consolidated statement of income and
- Items that may be reclassified to consolidated statement of income when specific conditions are met. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 28 Investments in associates and joint ventures

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

Amendments to IFRS 7 and IAS 32 offsetting financial assets and financial liabilities and the related disclosures:

The amendments to IAS 32 clarify the meaning of "currently have a legally enforceable right of set off" and "simultaneous realization and settlement". These are effective for annual periods beginning on or after January 1, 2014.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for annual periods beginning on or after January 1, 2013.

IFRS 9 Financial Instruments:

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

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

IFRS 10 Consolidated Financial Statements (issued in May 2011)

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

IFRS 11 Joint Arrangements (issued in May 2011)

The new standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures:

- In a joint operation, parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in the joint operation.
- In a joint venture, parties have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investment in Associates and Joint Ventures (2011). Unlike IAS 31, the use of 'proportionate consolidation' is not permitted.

The standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities (issued in May 2011)

The new standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement (issued in May 2011)

The new standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The standard is effective for annual periods beginning on or after 1 January 2013.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of Sokouk Holding Company - K.S.C. (Holding) and the following subsidiaries and joint venture:

		Percentage of holding %	
Subsidiaries	Country of incorporation	2012	2011
Gulf Real Estate Development House Co. K.S.C. (Closed)	Kuwait	**75**	75
Sokouk Investment Advisory Co.	Cayman Island	**100**	100
Sokouk Real Estate Co.– K.S.C. (Closed)	Kuwait	**96.52**	96.52
Gulf Money House for Money Collection - W.L.L. (i)	Kuwait	**99**	99
Sokouk Al Aqlemiya Trading Co.-W.L.L.	Kuwait	**99**	99
Sokouk Al Arabia Trading Co.-W.L.L.	Kuwait	**99**	99
Sokouk Al Oula Trading Co.-W.L.L.	Kuwait	**99**	99
Sokouk Al Kuwaitia Trading Co.-W.L.L.	Kuwait	**99**	99
Sokouk Al Islamia Trading Co.-W.L.L.	Kuwait	**99**	99
Joint venture			
Al-Salmiya Hotel Project (ii)	Kuwait	**-**	74.25

(i) During the year, the Parent Company approved to voluntarily liquidate Gulf Money House for Money Collection W.L.L. (subsidiary) and subsequent to the date of statement of financial position, the liquidation process was completed by cancellation of the Articles of Incorporation at the Ministry of Commerce And Industry under Ref No. 1315 dated March 17, 2013.

(ii) During the year, a reorganization took place in the Group wherein the venturers sold their interest in Al-Salmiya Hotel Project - Joint Venture comprising the assets and liabilities of the Joint Venture to Gulf Real Estate Development House Co. K.S.C.C (subsdiary) for a consideration of KD 3,482,212 based on an agreement effective January 1, 2012. No gain or loss arose in this reorganization. In 2011, the Joint Venture was proportionately consolidated at 74.25% and subsequent to the reorganization, all the assets and liabilities of the Joint Venture is consolidated through Gulf Real Estate Development House Co. K.S.C.C.

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial instruments

Financial assets and financial liabilities carried on the statement of financial position include cash on hand and at banks, Mudaraba deposits, accounts receivable, due from related parties, investments available for sale, due to financial institution, murabaha payables, accounts payable and due to a related party.

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

i) 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.

ii) 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.

iii) Investments

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

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of investments are recognized on settlement date – the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs.

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

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

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

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

An investment (in whole or in part) is derecognised either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

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

iv) <u>Accounts payable</u>

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

v) <u>Due to financial institution</u>

Due to financial institution 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.

d) Sokouk utilization rights

Sokouk utilization rights represent Sokouks that are held by the Group either for trading purposes or to keep as long term investment, and are stated at cost less impairment loss in value (if any).

e) Associates

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

The Group recognizes in its other comprehensive income for its share of changes in other comprehensive income of associate.

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

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

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

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

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate id impaired. If this is the case, The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of income.

f) Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in joint ventures are carried in the consolidated Statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of an associate.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Upon loss of joint control, The Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognized in consolidated statement of income.

g) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are included in the consolidated statement of income for the period in which they arise.

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

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

h) Fixed assets

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

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

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

	Years
Furniture and fixture	5
Computer equipment and software	3
Office equipment	3

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 fixed assets.

i) Impairment of assets

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

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

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

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

j) Non current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount 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.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Non-current assets once classified as held for sale are not depreciated or amortized.

Any impairment loss on a disposal group is allocated to the assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the consolidated statement of income. Gains are not recognized in excess of any cumulative impairment loss.

k) End of service indemnity

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

l) Share capital

Ordinary shares are classified as equity.

m) Treasury shares

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

Gains realized subsequently on the sale of treasury shares are first used to offset any 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 bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

n) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

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

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

o) Provisions

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

p) 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.

q) Foreign currencies

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

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

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the consolidated statement of financial position date. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of comprehensive income. Such translation differences are recognized in consolidated statement of income in the period in which the foreign operation is disposed off.

r) 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.

s) Critical accounting judgments, estimates and judgments

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

Judgments

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

(i) Revenue Recognition

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

(ii) 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.

(iii) Classification of investments

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

The Group classifies investments as "at fair value through statement of 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. All other investments are classified as "available for sale".

(iv) Impairment of investments

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

Estimates and assumptions

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

(i) Fair value of unquoted equity investments

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

(ii) Provision for doubtful debts

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

(iii) Impairment of non-financial assets

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

(iv) Revaluation of investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of comprehensive income. 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.

3. Accounts receivable and other debit balances

	2012	2011
Trade receivables (a)	**1,891,211**	2,146,435
Other receivables	**911,496**	1,035,460
Less: Provision for doubtful debts (b)	**(2,147,222)**	(2,147,222)
	655,485	1,034,673
Staff receivables	**12,696**	8,256
Advance payments to suppliers	**18,130**	-
Advance payments to contractors for development of investment property	**4,319,193**	1,445,653
Advance payments for acquisition of an investment properties	**1,014,550**	-
Prepaid expenses	**36,252**	36,369
Accrued income	**9,769**	9,079
Refundable deposits	**11,823**	11,823
	6,077,898	2,545,853

a) Trade receivables

The ageing analysis of the trade receivables is as follows:

	2012	2011
Up to 6 months	**647,760**	255,831
7 to 12 months	**904**	26,006
Over 1 year	**1,242,547**	1,864,598
	1,891,211	2,146,435

b) Provision for doubtful debts

The movement of provision for doubtful debts is as follows:

	2012	2011
Balance at the beginning of the year	**2,147,222**	1,647,222
Charge for the year	**-**	500,000
Balance at the end of the year	**2,147,222**	2,147,222

Trade receivables are represented as follows:

	2012	2011
Current:		
Trade receivables	**1,910,539**	2,091,471
Deferred profit	**(19,328)**	(23,305)
	1,891,211	2,068,166
Non current:		
Trade receivables	**-**	88,176
Deferred profit	**-**	(9,907)
	-	78,269
	1,891,211	2,146,435

The Group holds the deeds of the Sokouk utilization rights that had been sold, as a guarantee for related receivables, and the deed is not transferred to the name of the buyer, until the settlement of the total receivable.

4. Sokouk utilization rights

Sokouk utilization rights represent a subsidiary's ownership of real estate sokouk related to Al-Qibla Tower (under development) in the Kingdom of Saudi Arabia. Sokouk is a certificate or deed that entitles its holder the right to utilize a specific real estate property for a specified duration of time per year over a determined number of years. This right is wholly owned by the Sokouk holder who is entitled to sell, grant, inherit or invest in Sokouk.

The movement during the year is as follows:

	2012	2011
Balance at the beginning of the year	**5,367,882**	5,504,484
Additions	**99,248**	120,438
Disposals	**(41,319)**	-
Impairment reversal (charge) for the year	**402,249**	(257,040)
Balance at the end of the year	**5,828,060**	5,367,882

5. Related party disclosures

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

Balances included in the consolidated statement of financial position:	**2012**	2011
Due from related parties		
Due from associates	**36,500,451**	38,343,498
Provision for doubtful debts	**(14,547,516)**	(14,108,616)
Net due from associates (a)	**21,952,935**	24,234,882
Due from joint ventures	**1,674,215**	1,818,775
Due from companies under common control	**475,234**	475,234
Due from other related parties	**2,387**	2,387
Total due from related parties	**24,104,771**	26,531,278
Cash with portfolio manager	**61,220**	11,548
Investments available for sale managed by a related party	**1,588,600**	1,285,008
Due to related parties		
Due to a major shareholder	**450,000**	514,870
Due to other related parties	**870,555**	-
Total due to related parties	**1,320,555**	514,870
Due to financial institution	**13,436,301**	4,627,513
Murabaha payables	**7,787,246**	6,574,155

Consolidated statement of financial position:	Current	**2012**	2011
Due from related parties:			
Balance due	38,652,287	**38,652,287**	40,639,894
Provision for doubtful debts	(14,547,516)	**(14,547,516)**	(14,108,616)
Net due from related parties	24,104,771	**24,104,771**	26,531,278
Due to related parties	1,320,555	**1,320,555**	514,870

(a) During the year ended December 31, 2012, the Group along with other creditors signed an in-kind (units in a joint venture) settlement agreement for the net amount of KD 20,440,135 due from Munshaat Real Estate Projects Company K.S.C. (Closed) (associate). As of the reporting date, the joint venture has not been formed.

Transactions included in the consolidated statement of income:	**2012**	2011
Other operating income	**276,524**	5
General and administrative expenses	**(14,470)**	(15,309)
Finance charges	**(342,324)**	(454,429)
Management fee cancelled	**-**	(437,308)
Board of Directors' remuneration	**(35,000)**	-

Compensation to key management personnel:	**2012**	2011
Short term benefits	**204,540**	157,647
Termination benefits	**24,075**	17,182
	228,615	174,829

6. Investments available for sale

	2012	2011
Funds and portfolios	**1,599,245**	1,280,968
Unquoted equity securities	**6,675,914**	6,942,370
	8,275,159	8,223,338

The movement during the year is as follows:

	2012	2011
Balance at the beginning of the year	**8,223,338**	9,081,204
Additions	**1,031,249**	1,573,316
Disposals	**(926,046)**	(1,371,911)
Changes in fair value	**389,765**	(456,649)
Impairment loss	**(443,147)**	(602,622)
Balance at the end of the year	**8,275,159**	8,223,338

Investments available for sale are denominated in the following currencies:

Currency	**2012**	2011
US Dollar	**5,843,898**	6,023,938
Kuwaiti Dinar	**2,420,617**	2,191,892
Egyptian Pounds	**10,644**	7,508
	8,275,159	8,223,338

7. Investment in associates

Name of the associate	Country of Incorporation	Principal activities	Ownership percentage % 2012	Ownership percentage % 2011	2012	2011
Munshaat Real Estate Projects Company - K.S.C. (Closed) (i)	Kuwait	Real estate	**27.67**	27.67	**10,389,013**	7,110,225
Mas Holding Company -K.S.C. (Closed)	Kuwait	General trading	**40**	40	**-**	-
					10,389,013	7,110,225

The movement during the year is as follows:

	2012	2011
Balance at the beginning of the year	**7,110,225**	12,316,056
Group's share of results from associates	**2,738,795**	(4,758,624)
Share of other comprehensive income from associates	**539,993**	(47,207)
Dividend received from an associate	**-**	(400,000)
Balance at the end of the year	**10,389,013**	7,110,225

(i) The market value of investment in Munshaat Real Estate Projects Company – K.S.C.C as at December 31, 2012 is KD 5,791,126 (2011 – KD 2,049,168).

The summarized financial information of the associates as of December 31, 2012 is as follows:

Name of the associate	Total assets		Total liabilities		Net assets		Group's share of net assets	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Munshaat Real Estate Projects Company - K.S.C.(Closed)	**213,818,359**	200,690,751	**172,016,506**	175,408,484	**41,801,853**	25,282,267	**10,389,013**	7,110,225
MAS Holding Company – K.S.C. (Closed)	**7,249,625**	6,981,997	**7,861,977**	7,824,066	**(612,352)**	(842,069)	**-**	-
	221,076,984	207,672,748	**179,878,483**	183,232,550	**41,189,501**	24,440,198	**10,389,013**	7,110,225

Name of the associate	Revenue		Results		Group's share of results	
	2012	2011	**2012**	2011	**2012**	2011
Munshaat Real Estate Projects Company - K.S.C.(Closed)	**33,856,154**	16,245,392	**9,898,423**	(13,642,036)	**2,738,795**	(3,774,609)
MAS Holding Company – K.S.C. (Closed)	**2,726,501**	2,080,083	**103,461**	(2,460,030)	**-**	(984,015)
	36,582,655	18,325,475	**10,001,884**	(16,102,066)	**2,738,795**	(4,758,624)

8. Investment in Joint Venture

The investment in joint venture consists of the following:

Name of the joint venture	Country of Incorporation	Ownership Percentage % 2012	Ownership Percentage % 2011	2012	2011
Joint Venture – Qitaf	Kuwait	**17.15**	17.15	**1,852,158**	1,728,669

The movement during the year is as follows:

	2012	2011
Balance at the beginning of the year	**1,728,669**	1,886,878
Group's share of results from joint venture	**107,372**	(144,429)
Foreign currency translation adjustments	**16,117**	(13,780)
Balance at the end of the year	**1,852,158**	1,728,669

The summarized financial information of the joint venture as of December 31, 2012 is as follows:

Name of the joint venture	Total assets		Total liabilities		Net assets		Group's share of net assets	
	2012	2011	2012	2011	2012	2011	2012	2011
Joint Venture – Qitaf	**12,481,281**	12,262,421	**1,681,526**	2,182,720	**10,799,755**	10,079,701	**1,852,158**	1,728,669
	12,481,281	12,262,421	**1,681,526**	2,182,720	**10,799,755**	10,079,701	**1,852,158**	1,728,669

Name of the joint venture	Revenue		Results		Group's share of results	
	2012	2011	2012	2011	2012	2011
Joint Venture – Qitaf	**2,295,564**	589,504	**626,074**	(842,150)	**107,372**	(144,429)
	2,295,564	589,504	**626,074**	(842,150)	**107,372**	(144,429)

9. Investment property under development

Investment property under development represent a hotel project being developed in Salmiya - State of Kuwait.

The movement during the year is as follows:

	2012	2011
Balance at the beginning of the year	**13,642,357**	13,401,456
Additions due to Group reorganization (Note 2)	**2,494,245**	-
Additions during the year	**6,787,744**	3,009,590
Management fee cancelled (Note 24)	**-**	(437,308)
Change in fair value	**(315,727)**	(2,331,381)
Balance at the end of the year	**22,608,619**	13,642,357

Borrowing costs amounting to KD 863,960 has been capitalized for the year ended December 31, 2012 (2011 – KD 277,341).

Investment property under development is mortgaged against the financing obtained from a financial institution (Note 10).

The fair value of investment property under development as of December 31, 2012 has been arrived at based on the lowest of valuations carried out by three independent valuers. The Group has complied with Capital Markets Authority decision dated July 23, 2012 with respect to guidelines for fair value of investment properties.

10. Due to financial institution

Due to financial institution represent facility obtained from a local Islamic financial institution (related party) carrying an annual finance cost of 7.564% and is secured by the investment property under development (Note 9).

11. Murabaha payables

Murabaha payables represent facilities obtained from local Islamic financing companies (related parties) carrying an annual finance cost ranging from 4.5% to 7% (2011 – 5.5% to 8%).

	2012	2011
Murabaha payables	**8,070,767**	6,671,840
Deferred expenses	**(283,521)**	(97,685)
	7,787,246	6,574,155

12. Accounts payable and other credit balances

	2012	2011
Due to contractors	**632,993**	550,262
Retention payable	**1,021,294**	506,499
Accrued staff leave	**64,505**	46,435
Other accrued expenses	**16,623**	30,735
Dividends payable	**16,397**	16,757
KFAS payable	**17,236**	-
Board of Directors' remuneration	**35,000**	-
Other payables	**121,219**	100,513
	1,925,267	1,251,201

13. Provision for end of service indemnity

	2012	2011
Balance at the beginning of the year	**91,260**	98,529
Charge for the year	**30,921**	33,056
Paid during the year	**(4,903)**	(40,325)
Balance at the end of the year	**117,278**	91,260

14. Share capital

Authorized, issued and fully paid-up capital amounting to KD 53,800,000 (2011 – KD 100,000,000) consist of 538,000,000 shares (2011 – 1,000,000,000 shares) of 100 fils each and all shares are paid in cash (Note 32).

15. Share premium

This represented cash received in excess of the par value of the shares issued (Note 32).

16. Statutory reserve

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

17. Voluntary reserve

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

18. Treasury shares

	2012	2011
Number of shares	**19,500,152**	-
Percentage of paid up shares	**3.6%**	-
Market value (KD)	**1,794,000**	-
Cost (KD)	**1,769,871**	-

19. Other operating income

	2012	2011
Gain from financing activities	**33,627**	81,215
Management fees	**203,103**	290,254
Others	**39,794**	159,609
	276,524	531,078

20. General and administrative expenses

	2012	2011
Salaries and wages	**315,741**	293,811
Other employees' benefits and allowances	**164,457**	155,329
Other administrative expenses	**310,878**	379,090
	791,076	828,230

21. Net provision for doubtful debts

	2012	2011
Provision for trade receivables	**-**	500,000
Provision for due from related parties	**500,000**	781,611
Provision no longer required for due from related parties	**(61,100)**	-
	438,900	1,281,611

22. Net investment loss

	2012	2011
Dividend income	**58,837**	20,128
Realized gain on sale of investments available for sale	**108,968**	232,734
Impairment loss on investments available for sale	**(443,147)**	(602,622)
	(275,342)	(349,760)

23. Provision for wakala investment no longer required

During the year ended December 31, 2012, the Group received an amount of KD 1,827,994 in cash and an amount of KD 1,711,733 in kind (joint ownership in lands) for the final settlement of wakala investment amounting to KD 3,539,727, which was fully provided for in prior years.

The joint ownership in lands have been accounted as non current assets held for sale since the owners of the lands have decided to sell the lands. The fair value of the Group's share in the joint ownership lands as at December 31, 2012 is KD 1,801,931.

24. Management fee cancelled

During the year ended December 31, 2011, the Board of Directors' Meeting of Gulf Real Estate Development House Company - K.S.C.C (subsidiary) held on December 28, 2011 approved the cancellation of a contract for project management fee between the subsidiary and Al-Salmiya Hotel Project - Joint Venture. The subsidiary had accounted for project management fees amounting to KD 1,698,285 in prior years, which was capitalized and included in investment property under development in the books of Al-Salmiya Hotel Project - Joint Venture.

Since the Parent Company owned 74.25% of the Joint Venture in 2011, an amount of KD 1,260,977 was eliminated at the consolidation level during prior years for management fee when the contract was effective. As a result of the cancellation of contract, the remaining 25.75% of total management fee amounting to KD 437,308 was reversed which affected loss attributable to non-controlling interests for the year ended December 31, 2011.

25. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

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

26. Zakat

Zakat is calculated at 1% of the profit of the Parent 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. No Zakat has been provided since there was no profit base on which Zakat could be calculated.

27. National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% of the profit of the Parent 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. No NLST has been provided since there was no profit base on which NLST could be calculated.

28. Earnings (loss) per share

The information necessary to calculate earnings (loss) per share based on the weighted average number of shares outstanding during the year is as follows:

	2012	2011
Net profit (loss) for the year attributable to shareholders of the Parent Company	**5,337,445**	(10,170,323)
	Shares	Shares
Number of shares at the beginning of the year	**538,000,000**	538,000,000
Less: Weighted average number of treasury shares	**(461,755)**	-
Weighted average number of shares outstanding	**537,538,245**	538,000,000
	Fils	Fils
Earnings (loss) per share	**9.93**	(18.90)

Loss per share for the year ended December 31, 2011 has been restated due to reduction in capital (Note 32).

29. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, Mudaraba deposits, accounts receivable, due from related parties, investments available for sale, due to financial institution, Mudaraba payables, accounts payable and due to a related parties and as a result, is exposed to the risks indicated below.

a) **Rate of return risk**
Financial instruments are subject to the risk of changes in value due to changes in the level of rate of return. The effective rate of return and the periods in which rate of return bearing financial assets and liabilities are repriced or mature are indicated in the respective notes. Currently the Group has no exposure to such risk.

b) **Credit risk**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, Mudaraba deposits, accounts receivable, and due from related parties. Cash at banks and Mudaraba deposits are placed with a high credit rating financial institution. Receivables are presented net of allowance for doubtful debts.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, Mudaraba deposits, accounts receivable and due from related parties.

c) Foreign currency risk

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

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

Year	Increase / (Decrease) against KD	Effect on consolidated statement of income	Effect on other comprehensive income
2012			
USD	±5%	**±2,019,531**	**±102,795**
AED	±5%	**±475**	-
SAR	±5%	**±6**	-
QAR	±5%	**±88**	-
2011			
USD	±5%	±2,028,758	±96,491
AED	±5%	±424	-
SAR	±5%	±136	-
QAR	±5%	±9	-

d) Liquidity risk

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

Maturity Table for financial liabilities

2012	**1 month**	**1-3 months**	**3-12 months**	**1-3 years**	**Total**
Due to financial institution	-	-	2,640,000	10,796,301	**13,436,301**
Murabaha payables	425,753	1,277,260	2,904,887	3,179,346	**7,787,246**
Accounts payable and other credit balances	-	83,507	820,466	1,021,294	**1,925,267**
Due to related parties	-	-	1,320,555	-	**1,320,555**
Total	**425,753**	**1,360,767**	**7,685,908**	**14,996,941**	**24,469,369**

2011	1 month	1-3 months	3-12 months	1-3 years	Total
Due to financial institution	-	-	-	4,627,513	4,627,513
Murabaha payables	3,875,623	2,352,687	345,845	-	6,574,155
Accounts payable and other credit balances	49,911	648,356	46,435	506,499	1,251,201
Due to related parties	-	-	514,870	-	514,870
Total	3,925,534	3,001,043	907,150	5,134,012	12,967,739

e) Equity price risk

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

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31, 2012:

	2012		2011	
Market indices	**Change in equity price %**	**Effect on other comprehensive income**	Change in equity price %	Effect on other comprehensive income
Kuwait Stock Exchange	**±5**	**±79,959**	±5	±64,051

Fair value of estimation

The Group had measured fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the group's investments that are measured at fair value at 31 December 2012.

Investments available for sale	Level 1	Level 2	Level 3	Total
2012	**1,599,245**	**-**	**6,675,914**	**8,275,159**
2011	1,280,968	-	6,942,370	8,223,338

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily traded equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis and net asset value are used to determine fair value for the remaining financial instruments.

30. Capital risk management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stockholders and to maintain an optimal capital resources structure to reduce the cost of capital. In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash on hand and at banks and mudaraba deposits. Total capital resources is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2012	2011
Due to financial institution	**13,436,301**	4,627,513
Murabaha Payables	**7,787,246**	6,574,155
	21,223,547	11,201,668
Less:		
Cash on hand and at banks	**(1,539,866)**	(948,639)
Mudaraba deposits	**-**	(350,000)
Net debt	**19,683,681**	9,903,029
Total equity	**57,800,910**	53,390,120
Total capital resources	**77,484,591**	63,293,149
Gearing ratio	**25.40%**	15.65%

31. Capital commitments

The Group had capital commitments in respect of future capital expenditure related to the construction of a hotel as follows:

	2012	2011
Capital commitments	**2,456,712**	4,355,705

32. Ordinary and Extraordinary General Assembly

The Board of Directors proposed not to distribute dividends for the year ended December 31, 2012. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on July 19, 2012 approved not to distribute cash dividends or bonus shares for the year ended December 31, 2011.

The Ordinary and Extraordinary Shareholders' General Assembly meeting held on August 5, 2012 approved to set off the accumulated losses amounting to KD 68,158,212 as of December 31, 2011 from the following accounts:

- KD 2,229,106 from voluntary reserve.
- KD 2,229,106 from statutory reserve.
- KD 17,500,000 from share premium.
- KD 46,200,000 from share capital.

Accordingly the authorized, issued and paid up capital decreased from KD 100,000,000 to KD 53,800,000 consisting of 538,000,000 shares of par value of 100 fils each.

The amendment has been registered in the Commercial register under Ref. No. 74323 dated September 30, 2012.