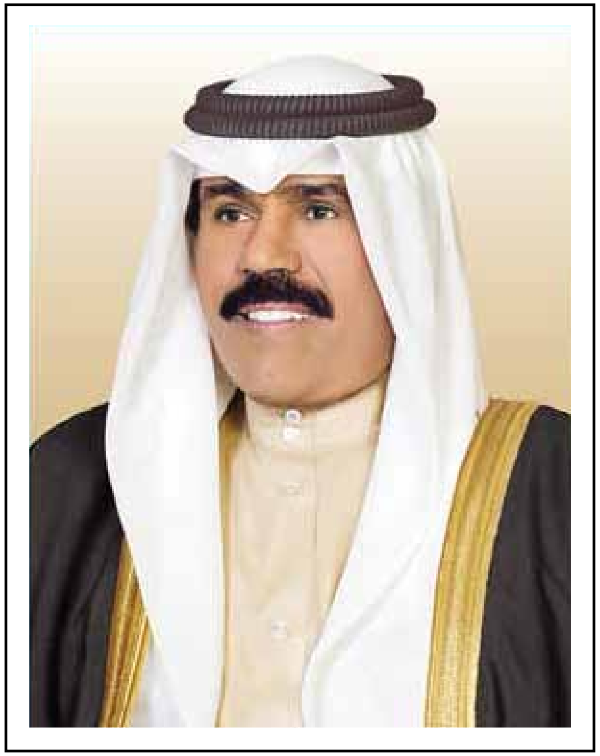
H.H. Sheikh
Sabah Al-Ahmed-Al-Jaber Al Sabah
Emir of State of Kuwait



H.H. Sheikh
Nawaf Al-Ahmed-Al-Jaber Al Sabah
Crown Prince

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Members of the Board

Nedhal Khaled Al-Masoud
Chairman & Managing Director

Laila A. Al-Ibrahim
Vice Chairman

Abullah A. Al-Asfour
Board Member

Khaled A. M. Al-Attal
Board Member

Nabil A. Zeineddine
Board Member

Agenda of the Annual Ordinary General Assembly

The Agenda for the Annual Ordinary General Assembly

1. Review and approval of the Board of Directors' report of the company's activities and its financial performance for financial year ended 31/12/2012.

2. Review and approval of the Auditors (Mr. Abdullatif Al-Aiban of Grant Thornton -Al-Qatami, Al-Aiban& Partners and Mrs. Fawziya Mubarak Al-Hasawi.

3. Discussion and approval of the company's Balance sheet and Profit and Loss Accounts for the financial year ended 31/12/2012.

4. Reviews the sanctions and penalties report imposed on the company by regulating authorities.

5. Discussing the recommendation of Board of Directors to not distribute dividends for the fiscal year ended 31/12/2012.

6. Discussing the recommendation of Board of Directors to not distribute bonuses to board members for the fiscal year ended 31/12/2012.

7. Renewal the approval of dealing with related parties.

8. Mandate of the Board of Directors to purchase or sell no more than 10 % of the share capital in accordance with the terms and conditions under article 175 of Law No. 25 of 2012

9. Discharging the Members of the Board of Directors from their liabilities in terms of their legal and financial actions for year ended 31/12/2012.

10. Appointment or re-appointment of external auditors for financial year ending 31/12/2013 and authorized the Board of Directors to determine their fees.

Report to the **Shareholders**

Dear Shareholders,

On behalf of my colleagues on the Board of Directors of International Resorts Company (IRC) and myself, I present to you the annual report of the company's activities for the financial year ended on 31/12/2012.

1. Review and approval of the Board of Directors' report of the company's activities and its financial performance for financial year ended 31/12/2012.

2. Review and approval of the Auditors (Mr. Abdullatif Al-Aiban of Grant Thornton -Al-Qatami, Al-Aiban& Partners and Mrs. Fawziya Mubarak Al-Hasawi.

3. Discussion and approval of the company's Balance sheet and Profit and Loss Accounts for the financial year ended 31/12/2012.

4. Reviews the sanctions and penalties report imposed on the company by regulating authorities.

5. Discussing the recommendation of Board of Directors to not distribute dividends for the fiscal year ended 31/12/2012.

6. Discussing the recommendation of Board of Directors to not distribute bonuses to board members for the fiscal year ended 31/12/2012.

7. Renewal the approval of dealing with related parties.

8. Mandate of the Board of Directors to purchase or sell no more than 10 % of the share capital in accordance with the terms and conditions under article 175 of Law No. 25 of 2012

9. Discharging the Members of the Board of Directors from their liabilities in terms of their legal and financial actions for year ended 31/12/2012.

10. Appointment or re-appointment of external auditors for financial year ending 31/12/2013 and authorized the Board of Directors to determine their fees.

Financial

Statments

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Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Resorts Company – Kuwaiti Shareholding Company (Closed) and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of International Resorts Company and its subsidiary as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to note 13 to the accompanying consolidated financial statements in connection with the settlement agreement to recover a bank cheque of KD13.2 million representing the remaining amount of the sale consideration receivable from one of the buying parties on sale of right of use of leased land in a prior year.

Report on Other Legal and Regulatory Matters

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

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

Fawzia Mubarak Al-Hassawi
(Licence No. 80-A)
of UHY-Fawzia Mubarak Al-Hassawi

Kuwait
26 March 2013

Consolidated statement of Income

31 December 2012

	Note	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Revenue			
Rental income – net	8	**82,797**	101,792
Loss on sale of investments at fair value through statement of income		**(383,029)**	(12,772)
Change in fair value of investments at fair value through statement of income		**16,829**	(754,936)
Loss on sale of available for sale investments		**(988,528)**	(93,025)
Change in fair value of investment properties	11	**67,163**	(32,391)
Gain on sale of investment properties	11	**82,028**	-
Gain/(loss) on sale of investment in real estate portfolio	15	**4,337**	(7,327)
Share of results of associates	12	**1,094,805**	98,483
Dividend income		**43,635**	2,000
Interest income		**-**	6,077
Other income	39	**34,275**	(1,203,839)
Expenses and other charges		**276,142**	172,999
Staff costs		**137,352**	124,716
General and administrative expenses		**254,974**	158,925
Finance costs		**-**	967,824
Provision for legal cases		**668,468**	1,424,464
Loss for the year		**(634,193)**	(2,628,303)
Basic and diluted loss per share	9	**(4) Fils**	(17) Fils

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Loss for the year	**(634,193)**	(2,628,303)
Other comprehensive income/(loss):		
Available for sale investments:		
Net change in fair value arising during the year	**(51,430)**	(259,388)
Transfer to consolidated statement of income on sale	**539,197**	68,027
Loss on sale of available for sale investments	**(988,528)**	(93,025)
Share of other comprehensive loss of associates	**-**	(1,887)
Total other comprehensive income / (loss)	**487,767**	(193,248)
Total comprehensive loss for the year	**(146,426)**	(2,821,551)

The notes set out on pages 8 to 33 form an integral part of these consolidated financial statemen

	Note	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Assets			
Non-current assets	10	**414,754**	3,162,168
Available for sale investments		**1,554,454**	3,434,654
Investment properties	11	**2,599,093**	1,504,288
Investment in associates	12	**3**	3
Equipment		**4,568,304**	8,101,113
	13	**13,548,866**	13,451,876
Current assets			
Accounts receivable and other assets		**923,149**	1,032,256
Investments at fair value through statement of income	14	**987,157**	1,485,183
Investment in real estate portfolio		**1,530,570**	
Cash and cash equivalents	15	**16,989,742**	93,133
	16	**21,558,046**	16,062,448
Total assets		**15,448,210**	24,163,561
Equity and liabilities			15,448,210
Share capital		**921,229**	
Legal reserve	17	**(220,233)**	921,229
Fair value reserve	18	**(3,262,496)**	(708,000)
Accumulated losses	19		(2,628,303)
Total equity		**12,886,710**	
		100,592	13,033,136
Non-current liabilities	20	**100,592**	46,396
Provision for staff indemnity		**805,000**	46,396
		7,765,744	805,000
Current liabilities			
Ijara financing		**8,570,744**	11,084,029
Accounts payable and other liabilities		**8,671,336**	11,130,425
Total liabilities		**21,558,046**	24,163,56
Total equity and liabilities			

The notes set out on pages 8 to 33 form an integral part of these consolidated financial statemen

Nedal Khaled Al-Masoud
Chairman and Managing Director

	Share Capital K.D	Legal Reserve K.D	Voluntary Reserve K.D	Fair Value Reserve K.D	Accumulated losses K.D	Total K.D
Assets						
Balance at 1 January 2012	**15,448,210**	921,229	-	(708,000)	(2,628,303)	13,033,136
Loss for the year	-	-	-	-	(634,193)	(634,193)
Other comprehensive income						
Available for sale investments:						
Net change in fair value arising during the year	-	-	-	(51,430)	-	(51,430)
Transfer to consolidated statement of income on sale	-	-	-	539,197	-	539,197
Total comprehensive income/(loss) for the year	-	-	-	487,767	(634,193)	(146,426)
Balance at 31 December 2012	**15,448,210**	921,229	-	(220,233)	(3,262,496)	12,886,710
Balance at 1 January 2011	**15,448,210**	1,768,221	884,747	(514,752)	(1,731,739)	15,854,687
Loss for the year	-	-	-	-	(2,628,303)	(2,628,303)
Other comprehensive income						
Available for sale investments:						
Net change in fair value arising during the year	-	-	-	(259,388)	-	(259,388)
Transfer to consolidated statement of income on sale	-	-	-	68,027	-	68,027
Share of other comprehensive loss of associates	-	-	-	(1,887)	-	(1,887)
Total comprehensive loss for the year	-	-	-	(193,248)	(2,628,303)	(2,821,551)
Accumulated losses written off	-	(846,992)	(884,747)	-	1,731,739	-
Balance at 31 December 2011	**15,448,210**	921,229	-	(708,000)	(2,628,303)	13,033,136

The notes set out on pages 8 to 33 form an integral part of these consolidated financial statemen

	Note	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
OPERATING ACTIVITIES			
Loss for the year		**(634,193)**	(2,628,303)
Adjustments:			
Provision for staff indemnity		**29,850**	15,209
Loss on sale of available for sale investments		**988,528**	93,025
Change in fair value of investment properties		**(67,163)**	32,391
Gain on sale of investment properties		**(82,028)**	-
Share of results of associates		**(1,094,805)**	(98,483)
Interest income		**(43,635)**	(6,077)
Dividend income		**(2,000)**	(2,000)
Finance costs		**254,974**	158,925
		(650,472)	(2,435,313)
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**(56,215)**	(11,587)
Investments at fair value through statement of income		**109,107**	854,846
Investment in real estate portfolios		**(16,575)**	1,212,442
Accounts payable and other liabilities		**250,249**	439,072
Transfer of indemnity		**24,346**	-
Staff indemnity paid		**-**	(698)
Net cash (used in)/from operating activities		**(339,560)**	58,762
INVESTING ACTIVITIES			
Proceeds from sale of investment properties		**2,029,391**	-
Dividend income received		**2,000**	2,000
Interest income received		**2,860**	150
Net cash from investing activities		**2,034,251**	2,150
FINANCING ACTIVITIES			
Payment of dividends		**(2,280)**	(3,998)
Finance costs paid		**(254,974)**	-
Net cash used in financing activities		**(257,254)**	(3,998)
Increase in cash and cash equivalents		**1,437,437**	56,914
Cash and cash equivalents at beginning of the year	16	**93,133**	36,219
Cash and cash equivalents at end of the year	16	**1,530,570**	93,133
Non cash transactions:			
Proceeds from sale of available for sale investments	20	**2,246,653**	-
Proceeds from sale of investment in real estate portfolio	20	**514,601**	-
Amounts payable and other liabilities	20	**(2,761,254)**	-

1 Incorporation and activitiesLoss for the year

International Resorts Company – KSC (Closed), (the parent company), was incorporated on 10 February 1976 in accordance with the Commercial Companies Law under the name of Kuwait Projects Company for Reconstruction and Real Estate as a Kuwaiti Closed Shareholding Company.
The name of the company was officially amended on 7 February 1998 to International Resorts Company. The parent company's shares are listed on Kuwait Stock Exchange.
The group comprises the parent company and its wholly owned subsidiary, Assjad Al-Kuwait General Trading and Contracting Company – WLL, a Kuwaiti limited liability company.
The group is mainly engaged in real estate and other investment activities inside and outside the State of Kuwait.
The address of the parent company's registered office is PO Box 4800, Safat 13048, State of Kuwait.
The board of directors authorised these consolidated financial statements for issue on 24 March 2011 and are subject to the approval of the general assembly of the shareholders.

2 Basis of preparation

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

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD").

3 Statement of compliance

These 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).

4 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except as discussed below.
The group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year:

Notes to the consolidated financial statements
4 Changes in accounting polices (continued)
4.1 Adoption of new IASB Standards and amendments during the year
The group has adopted the following amended IFRS during the year:
FRS 7 Financial Instruments: Disclosures- amendment The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also required additional disclosures if a disproportionate amount of transfer trans actions are undertaken around the end of a reporting period. The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

4 Changes in accounting polices (continued)

4.1 Adoption of new IASB Standards and amendments during the year

The group has adopted the following amended IFRS during the year:
FRS 7 Financial Instruments: Disclosures- amendment The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments allow users of financial statements to improve their understanding of transfer transations of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also required additional disclosures if a disproportionate amount of transfer trans actions are undertaken around the end of a reporting period. The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

4.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation	Effective for annual periods beginning
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements	1 January 2013
Revised as IAS 27 Separate Financial Statements	
IAS 28 Investments in Associates	1 January 2013
Revised as IAS 28 Investments – Associates and Joint Venture	
IAS 32 Financial Instruments: Presentation – amendments	1 January 2014
IFRS 7 Financial Instruments: Disclosures – amendment	1 January 2013
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of interests in other entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Annual Improvements 2009-2011	1 January 2013

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

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

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

The group will change the current presentation of the consolidated statement of comprehensive income when the amendment becomes effective.

4.2.2 IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting polices (continued)

4.2 IASB Standards issued but not yet effective (continued)

4.2.3 IAS 28 Investments in Associates – Revised as IAS 28 Investments in Associates and Joint Ventures As a result of the consequential amendments, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

4.2.4 IAS 32 Financial Instruments: Presentation – amendments

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

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

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

4.2.5 IFRS 7 Financial Instruments: Disclosures - amendements

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively.

Management does not anticipate a material impact on the group's consolidated financial statements from these amendments.

4.2.6 IFRS 9 Financial Instruments: Classification and Measurement

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety, with the replacement standard to be effective for annual periods beginning1 January 2015. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

4.2.7 IFRS 10 Consolidated Financial Statements

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

4.2.8 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is designed to complement the other new standards. It sets out consistent disclosure requirements for subsidiaries, joint ventures and associates, as well as unconsolidated structured entities. The disclosure requirements are extensive and will result in significant amounts of new disclosures for some companies. Structured entities were previously referred to in SIC 12 as special purpose entities. The disclosures required by IFRS 12 aim to provide transparency about the risks a company is exposed to through its interests in structured entities.

Notes to the consolidated financial statements (continued)

4 Changes in accounting polices (continued)

4.2 IASB Standards issued but not yet effective (continued)

4.2.9 IFRS 13 Fair Value Measurement
IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair valuemeasurements.
The adoption of this standard is not expected to have a significant impact on the financial position and performance of the group.

4.2.10 Annual Improvements 2009-2011

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the group are summarised below:
Clarification of the requirements for opening statement of financial position:
• clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
• addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

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

Segment information for total assets and liabilities:
• clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. Management does not anticipate a material impact on the group's consolidated financial statements from these improvements.

5 Significant accounting policies
The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation
The group financial statements consolidate those of the parent company and all of its subsidiary. Subsidiary is the entity over which the group has the power to control the financial and operating policies. The group obtains and exercises control through more than half of the voting rights.
The subsidiary has a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies.
Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

Amounts reported in the financial statements of subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

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

When a controlling interest in the subsidiary is disposed of, the difference between the selling price and the net asset value is recognised in the consolidated statement of income.

5.2 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 payment is made.

Revenue arises from the rendering of services is measured by reference to fair value of consideration received or receivable. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.2.1 Rental income

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

5.2.2 Dividend income

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

5.2.3 Interest income

Interest income are reported on an accrual basis using the effective interest method.

5.3 Operating expenses

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

5.4 Borrowing costs

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

5.5 Taxation

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

5.5.2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.5.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007. For the year ended 31 December 2012 and 31 December 2011, the parent company has no liability towards KFAS, NLST and Zakat due to losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5.6 Financial instruments

5.6.1 Recognition, initial measurement and derecognition

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

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

• rights to receive cash flows from the assets have expired;
• the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to third party under a 'pass through' arrangement and either.

(a) the group has transferred substantially all the risks and rewards of the asset or
(b) the group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

5.6.1 Recognition, initial measurement and derecognition (Continued)

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

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

5.6.2 Classification and subsequent measurement of financial assets

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

• loans and receivables
• financial assets at fair value through statement of income (FVTSI)
• available-for-sale (AFS) financial assets.

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.6 Financial instruments (continued)

5.6.2 Classification and subsequent measurement of financial assets (continued)

• Loans and receivables

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

5.6.2 Classification and subsequent measurement of financial assets (continued)

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

The group categorises loans and receivables into following categories:

• Receivables and other assets and due from related parties
Receivables are stated at original invoice amount less allowance for any uncollectible amounts. Amounts due from transactions with related parties and cash advances to related parties are included under due from related parties. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

• Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and bank balances, together with time deposit that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

• Financial assets at FVTSI
Classification of investments as financial assets at FVTSI depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are as designated at FVTSI upon initial recognition.

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

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.6 Financial instruments (continued)

5.6.2 Classification and subsequent measurement of financial assets (continued)

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

Notes to the consolidated financial statements (continued)

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

5.6.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include ijara finance payable and accounts payable and other liabilities.

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

- **Ijara finance payable**

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

- **Accounts payables and other liabilities and due to related parties**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

5.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.
Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.8 Investment in associates

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

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

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

Notes to the consolidated financial statements (continued)

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

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

5.9 Equipment

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

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

The following useful lives are applied:

- Vehicles: 5 years
- Furniture: 5 years

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

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

5.10 Investment in real estate portfolios

Investment in real estate portfolios represents group's participation in real estate investments with other parties and is initially recognised at cost of contribution. Subsequent to initial recognition, these investments are remeasured to market value based on the advice of the portfolio managers.

5.11 Trade and settlement date accounting

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.12 Offsetting of financial instruments

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

5.13 Amortised cost of financial instruments

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

5.14 Fair value of financial instruments

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

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

Notes to the consolidated financial statements (continued)

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

5.15 Impairment testing of non financial assets

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

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

5.16 Equity, reserves and dividend payments

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

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

Other components of equity include the following:

- Fair value reserve – comprises gain and losses relating to available for sale financial assets

Retained earnings includes all current and prior period retained profits and losses. All transaction with owners of the parent company are recorded separately within equity.
Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.17 Related party transactions

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

5.18 End of service indemnity

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date With respect to its Kuwaiti national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

5.19 Foreign currency translation

5.19.1 Functional and presentation currency

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

Notes to the consolidated financial statements (continued)

5.19.2 Foreign currency transactions and balances

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

5.20 Provisions, contingent assets and contingent liabilities

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.21 Segment reporting

The group has two operating segments: the real estate and investment segments. In identifying these operating segments, management generally follows the group's service lines representing its main services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

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

6 Critical accounting judgements and key sources of estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

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

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

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

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

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.
The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

Notes to the consolidated financial statements (continued)

6 Critical accounting judgements and key sources of estimation uncertainty (continued)

6.1.2 Classification of real estate (continued)

The group classifies property as property under development if it is acquired with the intention of development.
The group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Notes to the consolidated financial statements (continued)

6.2 Estimates uncertainty

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

6.2.1 Impairment of associates

After application of the equity method, the group determines whether it is necessary to recognise any impairment loss on the group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired.
If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

6.2.2 Impairment of available for sale equity investments

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

6.2.3 Impairment of receivables

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

6.2.4 Useful lives of depreciable assets

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

6.2.5 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 26).

Notes to the consolidated financial statements (continued)

7 Net loss on financial assets

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

	Note	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Investments at fair value through statement of income		(364,200)	(765,708)
Available for sale investments		(988,528)	(93,025)
Accounts receivable and other assets		40,775	6,077
Time deposits		2,860	-
Total realised and unrealised loss		(1,309,093)	(852,656)
Net unrealised loss recognised in equity		(51,430)	(259,388)
		(1,360,523)	(1,112,044)

Notes to the consolidated financial statements (continued)

8 Rental income - net

Gross rental	87,370	105,564
Expenses	(4,573)	(3,772)
	82,797	101,792

9 Basic and diluted loss per share

Basic and diluted loss per share is computed by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year as follows:

Loss for the year (KD)	(634,193)	(2,628,303)
Weighted average number of ordinary shares outstanding during the year	154,482,100	154,482,100
Basic and diluted loss per share	Fils (4)	Fils (17)

10 Available for sale investments

Foreign unquoted	1	1
Local unquoted	414,753	3,162,167
	414,754	3,162,168

10.1 During the year group settled amount due to a related party by way of sale of certain available sale investments amounting to KD2,246,653 (note 20).

Notes to the consolidated financial statements (continued)

11 Investment properties

At 1 January	3,434,654	3,467,045
Change in fair value	67,163	(32,391)
Gain on sale of investment properties	82,028	-
Proceeds from sale of investment properties	(2,029,391)	-
	1,554,454	3,434,654

Notes to the consolidated financial statements (continued)

12 Investment in associates

Details of the group's associates are set out below:

	Country of incorporation	Voting capital held % 31 Dec. 2012	31 Dec. 2011	Purpose
Suhail Telecom Services Company – KSCC (Unquoted)	Kuwait	**25**	**25**	Telecommunication services
Zamzam for Religious Tourism Company – KSCC (Unquoted)	Kuwait	**32.5**	**32.5**	Religious tourism
wa For Haj and Umra Services Company – KSCC (Unquoted)	Kuwait	**20**	**20**	Religious tourism

Movement in the carrying amount of investment in associates is as follows:

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Carrying amount at the beginning of the year	1,504,288	1,407,692
Share of results	1,094,805	98,483
Share of other comprehensive (loss)/income of associates	-	(1,887)
Carrying amount at the end of the year	2,599,093	1,504,288
Aggregate associates' asset and liabilities:		
Assets	13,018,617	7,419,615
Liabilities	295,849	176,887
Aggregate associates' result:		
Revenue	9,740,549	584,553
Profit	5,480,002	228,277

Notes to the consolidated financial statements (continued)

13 Accounts receivable and other assets

Due from sale of right of use of leased land (13.1)	13,200,000	13,200,000
Prepaid expenses	14,163	15,211
Due from related parties (13.2)	309,537	234,583
Other assets	25,166	2,082
	13,548,866	13,451,876

13.1 During a prior year, the parent company agreed to sell the right of use of land jointly owned by the parent company and other related parties against a total consideration of KD22 million. The parent company's share of this land amounted to 53%. The buying parties were Al-Safat Investment Company

Notes to the consolidated financial statements (continued)

The details of the transaction are as follows:

	Al Safat KD	Jeezan KD	31 Dec. 2012 Total KD	31 Dec. 2011 Total KD
Sale value	17,600,000	4,400,000	22,000,000	22,000,000
Less: Payments received	(4,400,000)	(4,400,000)	(8,800,000)	(8,800,000)
Balance receivable	13,200,000	-	13,200,000	13,200,000
Due to related parties (note 20)	(5,713,147)	-	(5,713,147)	(5,558,574)
Net balance due to the parent company	7,486,853	-	7,486,853	7,641,426

Notes to the consolidated financial statements (continued)

The parent company received from Al-Safat a bank cheque for KD13,200,000 to settle payment when the parent company has completed the relevant transfer procedures.
During the prior year, the parent company obtained approval of the Government authorities, including the Municipal Council, to register the right of use in the name of the buying parties. The parent company informed the buying parties thereof and presented the above cheque for collection, which was not settled. The management filed legal cases against Al Safat to recover the balance amount under the sale contract.
On 15 March 2012, the parent company and Al-Safat reached an out of court settlement whereby the parent company exchanged for 60% ownership in the company that acquired the land (including on behalf of related parties) against the receivable of KD13.2 million and withdrawal of legal cases.
The legal formalities to give effect to this settlement are currently in progress.

13.2 Due from related parties include balance amounting to KD230,788 (31 December 2011: KD147,042) which carries interest rate of 2% over Central Bank of Kuwait discount rate and has no specific repayment date.

Notes to the consolidated financial statements (continued)

14 Investments at fair value through statement of income

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Trading:		
Local quoted securities	247,400	617,881
Local managed portfolio	107,914	114,154
Local managed funds	-	298,866
Foreign managed portfolio	566,480	-
	921,794	1,030,901
Designated on initial recognition:		
Local unquoted securities	1,355	1,355
	1,355	1,355
	923,149	1,032,256

Notes to the consolidated financial statements (continued)

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Local portfolio is managed by a related party.		
15 Investment in real estate portfolio		
Outside Kuwait	987,157	1,485,183

During the year, the group settled amount due to a related party by way of sale of part of its share in real estate portfolio for a total consideration of KD514,601 resulting into a gain of KD4,337 (note 20).

16 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise the following consolidated statement of financial position balances:

	2012 KD	2011 KD
Time deposits maturing within three months	203,300	-
Cash on hand	3,640	11,764
Bank balances	339,624	81,369
Cash in portfolio	984,006	-
	1,530,570	93,133

	2012 KD	2011 KD
17 Share capital		
Authorised, issued and paid-up shares of Fils 100 each	15,448,210	15,448,210

Notes to the consolidated financial statements (continued)

18 Reserves

The Commercial Companies Law and the parent company's articles of association require that, 10% of the profit of the year before KFAS, NLST and Zakat is transferred to the legal reserve. The shareholders of parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. Distribution of legal reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

According to the parent company's articles of association and the companies law 10% of the profit for the year before KFAS, NLST and Zakat is transferred to the voluntary reserve. No transfers are required in a year when losses are incurred or where cumulative losses exist.

19 Ijara financing

Ijara financing carries average effective profit payable rate of 6% (2011: 6%) per annum and matured on 26 January 2013. Subsequently, it was renewed until 26 January 2014.

Notes to the consolidated financial statements (continued)

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
20 Accounts payable and other liabilities		
Share of related parties on sale of right of use of leased lands (note 13.1)	5,713,147	5,558,574
Accounts payable	9,883	12,163
Due to related parties (note 20.1)	26,325	2,703,427
Accrued leave and expenses	99,733	88,209
Provision for National Labour Support Tax	8,945	8,945
Zakat	1,295	1,295
Provision for legal cases	1,906,416	1,906,416
	7,765,744	10,279,029

20.1 During the year due to a related party amounting to KD2,911,254 was settled by way of available for sale investments and investment in real estate portfolio amounting to KD2,761,254 (notes 10 and 15) plus cash of KD150,000.

21 General assembly of shareholders

The directors did not propose dividend for the year ended 31 December 2012.

The general assembly of the shareholders held on 17 May 2012 approved the consolidated financial statements for the year ended 31 December 2011 without dividend.

22 Related party transactions

These represent transactions with certain related parties (directors and executive officers of the parent company and their related concerns) entered into by the group in the ordinary course of business.

	2012 KD	2011 KD
Amounts included in the consolidated financial position:		
Due from related parties	309,537	234,583
Share of related parties on sale of right of use of leased land	5,713,147	5,558,574
Due to related parties	26,325	2,703,427
Transactions included in the consolidated statement of income:		
Loss on sale of available for sale investments	(988,528)	-
Gain on sale of investment in real estate portfolio	4,337	-
Finance costs	210,140	110,475
Interest income	40,775	5,927
Key management compensation:		
Salaries and other short term benefits	165,375	114,026

Notes to the consolidated financial statements (continued)

23 Capital commitments

At 31 December 2012, the group had commitments amounting to KD242,571 (2011: KD242,571) for purchase of investments.

24 Segmental information

The group's operating segments are real estate and investment. The information relating to these segments are as follows.

At 31 December 2012

	Real Estate K.D	Investment K.D	Total K.D
Operating income/(loss)	248,563	(214,288)	34,275
Profit(loss) for the year	184,151	(818,344)	(634,193)
Total assets	15,861,071	5,696,975	21,558,046
Total liabilities	(8,446,861)	(224,475)	(8,671,336)
Net assets employed	7,414,210	5,472,500	12,886,710
At 31 December 2011			
Operating loss	(449,705)	(754,134)	(1,203,839)
Loss for the year	(1,417,529	(1,210,774)	(2,628,303)
Total assets	18,170,078	5,993,483	24,163,561
Total liabilities	(8,325,390)	(2,805,035)	(11,130,425)
Net assets employed	9,844,688	3,188,448	13,033,136

Notes to the consolidated financial statements (continued)

25 Risk management objectives and policies

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

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

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

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

25.1 Market risk

a) Foreign currency risk

The group mainly operates in the GCC countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Notes to the consolidated financial statements (continued)
25.1 Market risk

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchange contracts, if required, are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken.

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

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
US Dollar	1,550,463	-

The foreign currency sensitivity is determined based on 2% (2011: nil) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.
If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the loss for the year.
There is no impact on the group's equity:

Loss of the year	31,009	-
US Dollar	31,009	-

Notes to the consolidated financial statements (continued)
25 Risk management objectives and policies (continued)

25.1 Market risk (continued)

a) Foreign currency risk (continued)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity, then impact on the group's loss for the year would have been equal and opposite as disclosed above.
Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group has no significant interest bearing assets other than due from related parties. The group is exposed to interest rate risk with respect to its ijara financing and due to related parties.
The board monitors the interest rate risk by setting limits.
The following table illustrates the sensitivity of the loss for the year and equity to a reasonably possible change in interest rates of +1% and –1% (2011: +1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.
The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on the group's equity:

Notes to the consolidated financial statements (continued)

	31 Dec. 2012		31 Dec. 2011	
	+1% KD	-1% KD	+1% KD	-1% KD
Loss of the year	6,131	(6,131)	(33,614)	33,614

There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis.

c) Price risk

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

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis.

c) Price risk

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

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis.

If equity prices had been 2% (2011: 2%) higher, the effect on the loss for the year and equity would have been as follows:

	Loss of the year		Equity	
	31 Dec. 2012 KD	31 Dec. 2011 KD	31 Dec. 2012 KD	31 Dec. 2011 KD
Available for sale investments	-	-	8,295	63,243
Trading securities	18,436	20,618	-	-
Investments designated at fair value through statement of income	27	27	-	-

25 Risk management objectives and policies (continued)

25.1 Market risk (continued)

c) Price risk (continued)

If equity prices had been 2% (2011: 2%) lower, the effect on the loss for the year and equity would have been as follows:

Available for sale investments	-	-	(8,295)	63,243
Trading securities	(18,436)	(20,618)	-	-
Investments designated at fair value through statement of income	(27)	(27)	-	-

25.2 Credit risk

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

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

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Accounts receivable and other assets	13,534,703	13,436,665
Investments at fair value through statement of income	674,394	413,020
Cash and cash equivalents	1,526,930	81,369
	15,736,027	13,931,054

Bank balances are maintained with high credit quality financial institutions.

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

25 Risk management objectives and policies (continued)

25.3 Liquidity risk (continued)
Maturity profile of assets and liabilities at 31 December 2012 and 2011:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
2012 Assets					
Available for sale investments	-	-	-	414,754	414,754
Investment properties	-	-	-	1,554,454	1,554,454
Investment in associates	1,526,930	1,526,930	1,526,930	2,599,093	2,599,093
Equipment	-	-	-	3	3
Accounts receivable and other assets	7,950	2,629	13,538,287	-	13,548,866
Investments at fair value through statement of income	-	-	923,149	-	923,149
Investment in real estate portfolios	-	-	987,157	-	987,157
Cash and cash equivalents	1,530,570	-	-	-	1,530,570
	1,538,520	2,629	15,448,593	4,568,304	21,558,046
Liabilities					
Provision for staff indemnity	-	-	-	100,592	100,592
Ijara financing	805,000	-	-	-	805,000
Accounts payable and other liabilities	41,382	68,591	7,655,771	-	7,765,744
	846,382	68,591	7,655,771	100,592	8,671,336

Notes to the consolidated financial statements (continued)

2011 Assets

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Available for sale investments	-	-	-	3,162,168	3,162,168
Investment properties	-	-	-	3,434,654	3,434,654
Investment in associates	-	-	-	1,504,288	1,504,288
Equipment	-	-	-	3	3
Accounts receivable and other assets	-	1,289	13,450,587	-	13,451,876
Investments at fair value through statement of income	-	-	1,032,256	-	1,032,256
Investment in real estate portfolios	-	-	1,485,183	-	1,485,183
Cash and cash equivalents	93,133	-	-	-	93,133
	93,133	1,289	15,968,026	8,101,113	24,163,561
Liabilities					
Provision for staff indemnity	-	-	-	46,396	46,396
Ijara financing	805,000	-	-	-	805,000
Accounts payable and other liabilities	45,000	53,449	10,180,580	-	10,279,029
	850,000	53,449	10,180,580	46,396	11,130,425

The group's undiscounted cash flow for financial liabilities is not materially different from above.

Notes to the consolidated financial statements (continued)

26 Summary of financial assets and liabilities by category

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

	31Dec. 2012		31 Dec. 2011	
	Carrying amount KD	Fair Value KD	Carrying amount KD	Fair Value KD
Cash and cash equivalents	1,530,570	-	93,133	-
Investments at fair value through statement of income	1,355	921,794	1,355	1,030,901
Accounts receivable and other assets	13,548,866	-	13,436,665	-
Available for sale investments	-	414,754	-	3,162,168
	15,080,791	1,336,548	13,531,153	4,193,069
Accounts payable and other liabilities	7,765,744	-	10,279,029	-
Ijara financing	805,000	-	805,000	-
	8,570,744	-	11,084,029	-

Notes to the consolidated financial statements (continued)

Financial instruments measured at fair value
The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

31 December 2012

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Assets:					
• Available for sale investments					
Local unquoted securities	d	-	-	414,753	414,753
Foreign unquoted securities	d	-	-	1	1
		-	-	414,754	414,754
• Investments at fair value through statement of income					
Local quoted securities	a	247,400	-	-	247,400
Local managed portfolio	b	107,914	-	-	107,914
Foreign managed portfolio	b	566,481	-	-	566,481
		921,795		-	921,795

26 Summary of financial assets and liabilities by category (continued)

31 December 2011

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Assets:					
• Available for sale investments					
Local quoted securities	d	-	-	3,162,167	3,162,167
Foreign unquoted securities	d	-	-	1	1
		-		3,162,168	3,162,168
• Investments at fair value through statement of income					
Local quoted securities	a	617,881	-	-	617,881
Local managed portfolio	b	114,154	-	-	114,154
Local managed funds	c	-	298,866	-	298,866
		732,035	298,866	-	1,030,901

Notes to the consolidated financial statements (continued)

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

Measurement at fair value

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

a) Quoted securities

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

b) Managed portfolio

The underlying investments of managed portfolio primarily comprise of quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

c) Managed funds

The underlying investments of managed funds primarily comprise of quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

Level 3 fair value measurements

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

26 Summary of financial assets and liabilities by category (continued)

Level 3 fair value measurements (continued)

	31 Dec. 2012 Unquoted securities	31 Dec. 2011 Unquoted securities
	Available for sale Investment KD	Available for sale Investment KD
Opening balance	3,162,168	3,403,165
Purchase	-	-
Sale	(2,246,653)	-
Gains or losses recognised in:		
- Consolidated statement of income	(988,528)	-
- Consolidated other comprehensive income	487,767	(240,997)
Closing balance	414,754	3,162,168

Losses recognised in the consolidated statement of income (as above) for the year are included in loss on sale of available for sale investments.

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

There have been no transfers into or out of level 3 during the year.

Notes to the consolidated financial statements (continued)

27 Capital management objectives

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

The capital consists of total equity. The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The group monitors its capital by way of return on equity. This is calculated by reference to loss for the year divided by total equity as follows:

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Loss for the year	(634,193)	(2,628,303)
Total equity	12,886,710	13,033,136
Return on equity	%(5)	%(20)