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

Contents

Contents

Members of the Board

Nedhal K. Al- Masoud
Chairman & Managing Director

Laila A. A. Al-Ibrahim
Vice Chairman

Abdullah A. Al-Asfour
Board Member

Khaled A. M. Al-Attal
Board Member

Nabil A. Zeineddine
Board Member

Agenda of the Annual Ordinary General Assembly

Agenda of 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 31/12/2013.

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 31/12/2013.

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

5. Approval of Board of Directors to not distribute dividends for the fiscal year ended 31/12/2013.

6. Approval of Board of Directors to distribute bonuses to board members for the fiscal year ended 31/12/2013, an amount of KD 10,000/-.

7. 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, "and the instructions of Capital Markets Authority regarding the organization of shared companies for their shares (treasury stocks) and how to use and deal with them No. (2013/ 6/ش.ت/أ.ت.ق/م.أ.هـ)

9. Discharging the Members of the Board of Directors from their liabilities in terms of their legal and financial actions for year ended 31/12/2013.

10. Election of new members of Board of Directors for the next three years, from 2014 to 2016.

11. Appointment or re-appointment of external auditors for financial year ending 31/12/2014 and authorized the Board of Directors to determine their fees.

12. The board's suggestion the criteria of selecting the nomination committee, membership duration and the committee method of work.

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 31/12/2013

The climate of the overall economy :

Despite the fact that more than five years have passed since the global financial crisis, but its consequences are still influential and affecting many of the components of the Kuwaiti private sector. This comes within the strict credit policy adopted by banks as well as the procedures and restrictions imposed by the Central Bank, the debate going on about the mechanism and criteria for funding the Government Development Plan, the raised questions and rumors about the support to direct investments, and the search for a real mechanism for granting new credit facilities under such terms which should take into account the logic of the current stage and supports the ability of companies to overcome the crisis and helps them to move to the positive transformation. This will off course be reflected positively on the private sector investment and projects, due to its positive role in the invention of new creative ideas which can be turned into successful investments to help the movement of the available liquidity with the banks in order to support the key elements of the economy and achieve profitability for companies, and thus increase the private sector`s participation in the gross domestic product.

IRC Performance

All the foregoing consequences have casted their negative impact on the business results of all companies during the year. Nevertheless, the company's management has succeeded in achieving profits by the end of 2013 amounting to KD 185,071 or 1.20 Fils per share, with the Return on Equity reaching 1.41% compared to a loss of KD (634,193) in 2012 or (4.11) fils per share, with the Return on Equity of (4.92%). Total assets increased by 3.34% by the end of 2013 to KD 22,279,361 compared to a total of KD 21,558,046 in 2012. IRC was able to relatively control the expenses and other burdens amounted to the company made a significant advance in controlling costs and expenses by 27.79%, achieving savings worth KD 482,648 compared to KD 668,468 in 2012.

Also, the company's management managed to obtain the right of the management, development, operation and maintenance of Al-Safat Market for a period of ten years commencing from the date of the actual receipt of the real property. During that period, the company management will work towards the development of this property in order to achieve its optimum utilization and then to realize the highest return of profitability for the company and its shareholders. Currently, the company's management is participating in the invited development projects at hand as well as those which will be offered in the future through the government's development plan.

Finally, we would like to thank all shareholders for their trust in the company management, and hope that ongoing efforts will lead to ever better results in the coming years.

Nedhal Khaled Al-Masoud
Chairman & Managing Director

Financial Statements

Contents

Page

Independent auditors' report

To the shareholders of
International Resorts Company – KSC (Closed) - Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Resorts Company – Kuwaiti Public Shareholding Company and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 2013, 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, as amended, and by the Company's articles and memorandum of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, nor of the Company's articles and memorandum of association, have occurred during the year that might have had a material effect on the business or financial position of the Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations, during the year, of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2013

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
25 March 2014

	Note	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Revenue			
Net rental income	8	**106,563**	82,797
Change in fair value of investment properties	11	**190,000**	67,163
Change in fair value of investment in real estate portfolio		**-**	12,238
Gain on sale of investment properties	11	**179,040**	82,028
Gain on sale of investment in real estate portfolio		**-**	4,337
Loss on sale of investments at fair value through statement of income		**(12,264)**	(383,029)
Change in fair value of investments at fair value through statement of income		**(12,751)**	16,829
Gain/(loss) on sale / redemption of available for sale investments		**144,804**	(988,528)
Share of results of associates	12	**19,242**	1,094,805
Dividend income		**4,008**	2,000
Interest income		**40,430**	43,635
Foreign exchange gain		**12,610**	-
Other income		**3,230**	-
		674,912	34,275
Expenses and other charges			
Staff costs		**291,954**	276,142
General and administrative expenses		**149,225**	137,352
Finance costs		**41,469**	254,974
		482,648	668,468
Profit/(loss) before contribution to National Labour Support Tax (NLST) and Zakat		**192,264**	(634,193)
Provision for NLST		**(5,138)**	-
Provision for Zakat		**(2,055)**	-
Profit/(loss) for the year		**185,071**	(634,193)
Basic and diluted earnings/(loss) per share	9	**1.20 Fils**	(4.11) Fils

The notes set out on pages 18 to 36 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

31 December 2013

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Profit/(loss) for the year	**185,071**	(634,193)
Other comprehensive (loss)/ income:		
Items that will be reclassified subsequently to the consolidated statement of income:		
Available for sale investments:		
-Net change in fair value arising during the year	**(6,072)**	(51,430)
-Transfer to consolidated statement of income on sale	**-**	539,197
Share of other comprehensive loss of associates	**(2,200)**	-
Total other comprehensive (loss)/income	**(8,272)**	487,767
Total comprehensive income/(loss) for the year	**176,799**	(146,426)

The notes set out on pages 18 to 36 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

31 December 2013

	Notes	31 Dec. 2013 KD	31 Dec. 2012 KD
Assets			
Non-current assets			
Available for sale investments	10	**408,682**	414,754
Investment properties	11	**1,440,000**	1,554,454
Investment in associates	12	**2,616,135**	2,599,093
Equipment		**3**	3
		4,464,820	4,568,304
Current assets			
Accounts receivable and other assets	13	**14,069,864**	13,548,866
Investments at fair value through statement of income	14	**414,387**	923,149
Investment in real estate portfolio	15	**987,157**	987,157
Cash and cash equivalents	16	**2,343,133**	1,530,570
		17,814,541	16,989,742
Total assets		**22,279,361**	21,558,046
Equity and liabilities			
Equity			
Share capital	17	**15,448,210**	15,448,210
Legal reserve	18	**921,229**	921,229
Fair value reserve		**(228,505)**	(220,233)
Accumulated losses		**(3,077,425)**	(3,262,496)
Total equity		**13,063,509**	12,886,710
Non-current liabilities			
Provision for employees' end of service indemnity		**117,854**	100,592
		117,854	100,592
Current liabilities			
Ijara financing	19	**805,000**	805,000
Accounts payable and other liabilities	20	**8,292,998**	7,765,744
		9,097,998	8,570,744
Total liabilities		**9,215,852**	8,671,336
Total equity and liabilities		**22,279,361**	21,558,046

The notes set out on pages 18 to 36 form an integral part of these consolidated financial statements.

Nedhal Khaled Al-Masoud
Chairman and Managing Director

Consolidated statement of changes in equity

31 December 2013

	Share capital	Legal reserve	Fair value reserve	Accumulated losses	Total
	KD	KD	KD	KD	KD
Balance at 1 January 2013	**15,448,210**	**921,229**	**(220,233)**	**(3,262,496)**	**12,886,710**
Profit for the year	**-**	**-**	**-**	**185,071**	**185,071**
Other comprehensive income					
Available for sale investments:					
Net change in fair value arising during the year	**-**	**-**	**(6,072)**	**-**	**(6,072)**
Share of other comprehensive loss of associates	**-**	**-**	**(2,200)**	**-**	**(2,200)**
Total comprehensive (loss)/income for the year	**-**	**-**	**(8,272)**	**185,071**	**176,799**
Balance at 31 December 2013	**15,448,210**	**921,229**	**(228,505)**	**(3,077,425)**	**13,063,509**
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

The notes set out on pages 18 to 36 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

31 December 2013

	Notes	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
OPERATING ACTIVITIES			
Profit / (loss) for the year		**185,071**	(634,193)
Adjustments:			
Provision for employees end of service indemnity		**17,262**	29,850
(Gain)/loss on sale/redemption of available for sale investments		**(144,804)**	988,528
Change in fair value of investment properties		**(190,000)**	(67,163)
Gain on sale of investment properties		**(179,040)**	(82,028)
Share of results of associates		**(19,242)**	(1,094,805)
Interest income		**(40,430)**	(43,635)
Dividend income		**(4,008)**	(2,000)
Finance costs		**41,469**	254,974
		(333,722)	(650,472)
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**(80,924)**	(56,215)
Investments at fair value through statement of income		**508,762**	109,107
Investment in real estate portfolios		**-**	(16,575)
Accounts payable and other liabilities		**488,741**	250,249
Transfer of employees end of service indemnity		**-**	24,346
Net cash from/(used in) operating activities		**582,857**	(339,560)
INVESTING ACTIVITIES			
Purchase of available for sale investments		**(457,205)**	-
Proceeds from sale of available for sale investments		**534,549**	-
Proceeds from sale of investment properties		**150,000**	2,029,391
Dividend income received		**4,008**	2,000
Interest income received		**1,310**	2,860
Net cash from investing activities		**232,662**	2,034,251
FINANCING ACTIVITIES			
Payment of dividends		**-**	(2,280)
Finance costs paid		**(2,956)**	(254,974)
Net cash used in financing activities		**(2,956)**	(257,254)
Increase in cash and cash equivalents		**812,563**	1,437,437
Cash and cash equivalents at beginning of the year	16	**1,530,570**	93,133
Cash and cash equivalents at end of the year	16	**2,343,133**	1,530,570
Non cash transactions:			
Proceeds from sale of available for sale investments		**-**	2,246,653
Proceeds from sale of investment in real estate portfolio		**-**	514,601
Amounts payable and other liabilities		**-**	(2,761,254)

The notes set out on pages 18 to 36 form an integral part of these consolidated financial statements.

1. Incorporation and activities

International Resorts Company – KSC (Public) 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 Public Shareholding Company and is the group's ultimate parent company ('parent 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 principal objectives of the parent company are:

- Acquiring, selling and purchasing real estate properties and lands and developing same in favour of the company inside and outside the State of Kuwait, in addition to managing others' properties in such a way that does not violate the provisions stipulated in the existing laws and what has been prohibited by these laws such as trading in the private residence plots as stated in these laws.
- Acquiring, selling and purchasing shares and bonds of the real estate companies only in favour of the company inside and outside Kuwait.
- Preparing studies and providing consultations in all kinds of real estate fields, provided the required terms and conditions are met by those who offer this service.
- Acquisition and management and rental of hotels, health clubs and touristic facilities.
- Doing maintenance works related to the buildings and properties owned by the company and others, including maintenance works and carrying out civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Managing, operating, investing, renting and sub-renting, hotels, clubs, motels, guest houses, rest areas, parks gardens, exhibitions, restaurants, cafeterias, and housing complexes whether for pleasures or sports and other shops at all levels.
- Organizing real estate exhibitions for the company's real estate projects in accordance with the regulations applied in the Ministry.
- Organizing real estate tenders.
- Acquisition and management of commercial and residential complexes.
- Using the financial surpluses available with the company by investing same in financial portfolios managed by specialized companies and entities.
- Share-based payment for company staff.
- Establishing and management real estate funds (after getting the approval from Central Bank of Kuwait).
- Contributing directly to set out the basic structure of the residential, commercial and industrial areas and projects by "Building, Operation & Transfer" (BOT) system and managing the real estate utilities by BOT system.

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

The address of the parent company's registered office is PO Box 4800, Safat 13048, State of Kuwait.

The board of directors authorised these consolidated financial statement for issue on 25 March 2014 and are subject to the approval of the general assembly of the shareholders.

2. Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through 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") which is the functional and presentation currency of the parent company.

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 for adoption of new and amended standards discussed below:

4.1 New and amended standards adopted by the group

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

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

4. Changes in accounting policies (continued)

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

4.1.1 IAS 1 Presentation of Financial Statements - amendment

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

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

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

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

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

As a result of the consequential amendments,IAS 27 now deal with separate financial ststements.

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

4.1.3 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.

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

4.1.4 IFRS 7 Financial Instruments: Disclosures – Amendments

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

The required disclosures are required to be provided retrospectively.

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

4.1.5 IFRS 10 Consolidated Financial Statements

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

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

4.1.6 IFRS 12 Disclosure of Interests in Other Entities

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

4.1.7 IFRS 13 Fair Value Measurement

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

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

The group has applied IFRS 13 for the first time in the current year, (see Note 27).

4.1.8 Annual Improvements 2009-2011

The Annual Improvements 2009-2011 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 adoption of the above amendments did not have any significant impact on the financial position or performance of the group.

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective

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

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

4.2.1 IAS 32 Financial Instruments: Presentation - Amendments

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

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

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

4.2.2 IAS 36 Impairment of Assets- Amendments

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

4.2.3 IFRS 9 Financial Instruments

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

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

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

4.2.4 Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.

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

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

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

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

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

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

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

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

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

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

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

(iii) Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.
(iv) Amendments to IAS 40- the amendment emphasises that whether the acquisition of an investment property is a business combination requires judgement of the specific requirements of IFRS 3, independently from the requirements of IAS 40, including whether the investment property is owner occupied.

5. Significant accounting policies

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

5.1 Basis of consolidation

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

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

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

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

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated income statement. Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

5.2 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. 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.

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 2013 and 31 December 2012, the parent company has no liability towards KFAS 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. Significant accounting policies (continued)

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.

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

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

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

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

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

5.6.2 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.

• Loans and receivables

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

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

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 within 90 days and which are subject to an insignificant risk of changes in value.

• Financial assets at FVTSI

Classification of investments as financial assets at FVTSI depends on how management 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.

5. Significant accounting policies (continued)

5.6 Financial instruments (continued)

5.6.2 Classification and subsequent measurement of financial assets(continued)

• 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 be impaired, 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.

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

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

5.6.3 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.

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.

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.

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 Significant accounting policies (continued)

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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.

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.

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

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

5.19.2 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 Significant accounting policies (continued)

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.

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.

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

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

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

6.1 Significant management judgments (continued)

6.1.3 Control assessment

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

6.2 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 27).

7 Net gain/(loss) on financial assets

Net gain/(loss) on financial assets, analysed by category is as

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Investments at fair value through statement of income	**(21,007)**	(364,200)
Available for sale investments	**144,804**	(988,528)
Accounts receivable and other assets	**39,120**	40,775
Time deposits	**1,310**	2,860
Total realised and unrealised gain / (loss)	**164,227**	(1,309,093)
Net unrealised loss recognised in equity	**(6,072)**	(51,430)
	158,155	(1,360,523)

8 Rental income - net

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Gross rental income from investment properties	**110,881**	87,370
Direct expenses	**(4,318)**	(4,573)
	106,563	82,797

9 Basic and diluted earnings/(loss) per share

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

	Year ended 31 Dec. 2013	Year ended 31 Dec. 2012
	KD	KD
Profit/(loss) for the year (KD)	**185,071**	(634,193)
Weighted average number of ordinary shares outstanding during the year	**154,482,100**	154,482,100
Basic and diluted earnings/(loss) per share	**1.20 Fils**	(4.11) Fils

10 Available for sale investments

	31 Dec. 2013	31 Dec. 2012
	KD	KD
Foreign unquoted	**1**	1
Local unquoted	**408,681**	414,753
Local quoted	**408,682**	414,754

11 Investment properties

	31 Dec. 2013	31 Dec. 2012
	KD	KD
At 1 January	**1,554,454**	3,434,654
Change in fair value	**190,000**	67,163
Gain on sale of investment properties	**179,040**	82,028
Proceeds from sale of investment properties	**(483,494)**	(2,029,391)
	1,440,000	1,554,454

During the year, the group sold its investment properties located outside of Kuwait for a total consideration of KD483,494 resulting into a profit of KD179,040.

Investment properties were revalued by independent valuers (see note 27.4).

12 Investment in associates

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

Name	Country of incorporation	Ownership %		Purpose
		31 Dec. 2013	31 Dec. 2012	
Suhail Telecom Services Company – KSCC	Kuwait	**25**	25	Telecommunication services
Zamzam for Religious Tourism Company – KSCC	Kuwait	**32.5**	32.5	Religious tourism
Al-Marwa For Haj and Umra Services Company – KSCC	Kuwait	**20**	20	Religious tourism

12.2 Summarised financial information of group's material associate is set out below:

A) Al-Marwa For Haj and Umra Services Company – KSCC:

	31 Dec. 2013	31 Dec. 2012
	KD	KD
Non-current assets	**3,840,251**	3,810,848
Current assets	**9,173,806**	8,966,240
Total assets	**13,014,057**	12,777,088
Non-current liabilities	**70,742**	53,877
Current liabilities	**326,567**	182,136
Total liabilities	**397,309**	236,013
Net assets	**12,616,748**	12,541,075

	31 Dec. 2013	31 Dec. 2012
	KD	KD
Revenue	**551,385**	6,020,640
Profit for the year	**87,118**	5,473,985
Other comprehensive income for the year	**(11,001)**	-
Total comprehensive income for the year	**76,117**	5,473,985

12 Investment in associates (continued)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2013	31 Dec. 2012
	KD	KD
Group's ownership interest (%)	**20**	20
Net assets of the associate	**12,616,748**	12,541,075
Group's share of net assets	**2,523,350**	2,508,215
Carrying amount	**2,523,350**	2,508,215

12.3 Set out below is the aggregate information for the individually immaterial associates based on unaudited management account as at 31December 2012:

	31 Dec. 2013	31 Dec. 2012
	KD	KD
Group's share of the profits and losses	**1,907**	-
Group's share of total comprehensive income	**1,907**	-
Aggregate carrying amount of group's interest in these associates	**92,785**	90,878

13 Accounts receivable and other assets

	31 Dec. 2013	31 Dec. 2012
	KD	KD
Due from sale of right of use of leased land (13.1)	**13,200,000**	13,200,000
Prepaid expenses	**76,466**	14,163
Due from related parties (13.2)	**750,881**	309,537
Other assets	**42,517**	25,166
	14,069,864	13,548,866

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 (Al-Safat) and Jeezan Holding Company (Jeezan). The details of the transaction are as follows:

	Al – Safat	Jeezan	31 Dec. 2013 Total	31 Dec. 2012 Total
	KD	KD	KD	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)**	(5,713,147)
Net balance due to the parent company	**7,486,853**	**-**	**7,486,853**	7,486,853

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 2013, 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 KD 982,637 (31 December 2012: KD943,517) which carries interest rate of 2% over Central Bank of Kuwait discount rate and has no specific repayment date.

14 Investments at fair value through statement of income

	31 Dec. 2013 KD	31 Dec. 2012 KD
Trading:		
Local quoted securities	**200,175**	247,400
Local managed portfolio	**212,857**	107,914
Foreign managed portfolio	**-**	566,480
	413,032	921,794
Designated on initial recognition:		
Local unquoted securities	**1,355**	1,355
	1,355	1,355
	414,387	923,149

Investments in managed portfolios are carried at net asset value provided by the portfolio managers due to the nature of these investments. Management believes the net assets value provided by the portfolio mangers represents the best estimate of fair value available for these investments.

Local managed portfolio is managed by a related party.

15 Investment in real estate portfolios

	31 Dec. 2013 KD	31 Dec. 2012 KD
Outside Kuwait	**987,157**	987,157

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:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Time deposits maturing within three months	**2,215,862**	203,300
Cash in hand	**2,525**	3,640
Bank balances	**124,746**	339,624
Cash in portfolio	**-**	984,006
	2,343,133	1,530,570

17 Share capital

	31 Dec. 2013 KD	31 Dec. 2012 KD
Authorised, issued and paid-up shares of Fils 100 each	**15,448,210**	15,448,210

18 Reserves

The 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 require that 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 5.018% (2012: 6%) per annum and matures on 26 January 2015.

20 Accounts payable and other liabilities

	31 Dec. 2013 KD	31 Dec. 2012 KD
Share of related parties on sale of right of use of leased lands (note 13.1)	**5,713,147**	5,713,147
Accounts payable	**42,166**	9,883
Due to related parties	**500,091**	26,325
Accrued leave and expenses	**113,745**	99,733
Provision for National Labour Support Tax	**14,083**	8,945
Zakat	**3,350**	1,295
Provision for legal cases	**1,906,416**	1,906,416
	8,292,998	7,765,744

21 General assembly of shareholders

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

The general assembly of the shareholders held on 5 May 2013 approved the consolidated financial statements for the year ended 31 December 2012 without dividend.

22 Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiary which is related party of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

Details of significant related party transactions and balances are as follows:

	31 Dec. 2013	31 Dec. 2012
	KD	KD
Amounts included in the consolidated financial position:		
Due from related parties	**750,881**	309,537
Share of related parties on sale of right of use of leased land	**5,713,147**	5,713,147
Due to related parties	**500,091**	26,325

	31 Dec. 2013	31 Dec. 2012
	KD	KD
Transactions included in the consolidated statement of income:		
Gain / (loss) on sale of available for sale investments	**116,514**	(988,528)
Gain on sale of investment properties	**179,040**	-
Gain on sale of investment in real estate portfolio	**-**	4,337
Finance costs	**-**	210,140
Consultancy fees	**45,000**	45,000
Interest income	**39,120**	40,775
Key management compensation:		
Salaries and other short term benefits	**173,304**	165,375

23 Capital commitments

At 31 December 2013, the group had commitments amounting to KD242,571 (2012: KD242,571) for purchase of investments.

During the year the group has entered into a real estate management agreement whereby the group will manage a property for a ten years beginning 1 February 2014. The group approximately will pay KD3,420,000 to the government for ten years beginning May 2015. However during the first 15 months of the agreement the group is expected to incur renovation work. The group has estimated the costs of such improvements and renovation work to be KD1,529,290 (2012: KD Nil).

24 Contingent liabilities

Contingent liabilities at the year end in respect of outstanding letters of guarantee amounted to KD4,431,724 (31 December 2012: Nil) and

25 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss.

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

At 31 December 2013	Real Estat	Investment	Total
	KD	KD	KD
Operating income	**508,862**	**166,050**	674,912
Segment Profit / (loss)	**451,472**	**(259,208)**	192,264
Unallocated expenses			(7,193)
Profit for the year			185,071
Total assets	**16,007,293**	**6,272,068**	22,279,361
Total liabilities	**(6,704,474)**	**(2,511,378)**	(9,215,852)
Net assets employed	**9,302,819**	**3,760,690**	13,063,509
Share of results of associates	**-**	**19,242**	19,242

25 Segmental information (continued)

At 31 December 2012	Real Estat KD	Investment KD	Total KD
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
Share of results of associates	-	1,094,805	1,094,805

26 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 which analyse 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.

26.1 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.

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:

	31 Dec. 2013 KD	31 Dec. 2012 KD
US Dollar	-	1,550,463

The foreign currency sensitivity is determined based on 2% (2012: 2%) 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 profit / (loss) for the year. There is no impact on the group's equity:

	Profit/Loss for the year	
	31 Dec. 2013 KD	31 Dec. 2012 KD
US Dollar	-	31,009
	-	31,009

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity, then impact on the group's profit / (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 and time deposits. The group is exposed to interest rate risk with respect to its ijara financing. The board monitors the interest rate risk by setting limits.

26 Risk management objectives and policies (continued)

26.1 Market risk (continued)

b) Interest rate risk (continued)

The following table illustrates the sensitivity of the profit / (loss) for the year and equity to a reasonably possible change in interest rates of +1% and –1% (2012: +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:

	31 Dec. 2013		31 Dec. 2012	
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
Profit / (loss) for the year	22,898	(22,898)	(6,131)	6,131

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% (2012:2%) higher/lower, the effect on the profit / (Loss) for the year and equity would have been as follows:

	Profit (Loss) for the year		Equity	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
	KD	KD	KD	KD
Available for sale investments	-	-	± 8,173	± 8,295
Trading securities	± 8,261	± 18,436	-	-
Investments designated at fair value through statement of income	± 27	± 27	-	-

26.2 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.

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

	31 Dec. 2013	31 Dec. 2012
	KD	KD
Accounts receivable and other assets	13,993,398	13,534,703
Investments at fair value through statement of income	212,857	674,394
Cash and cash equivalents	2,340,608	1,526,930
	16,546,863	15,736,027

Bank balances are maintained with high credit quality financial institutions.

26.3 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.

Maturity profile of liabilities at 31 December 2013 and 2012:

2013	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
-Liabilities					
-Provision for staff indemnity	-	-	-	117,854	117,854
-Ijara financing	805,000	-	-	-	805,000
-Accounts payable and other liabilities	38,426	72,731	8,181,841	-	8,292,998
	843,426	72,731	8,181,841	117,854	9,215,852
Capital commitments	-	-	-	1,771,861	1,771,861

2012	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
-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
Capital commitments	-	-	-	242,571	242,571

27 Fair value measurement

27.1 Fair value hierarchy

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

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

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

27.2 Fair value measurement of financial instruments

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

	31 Dec. 2013 KD	31 Dec. 2012 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Cash and cash equivalents	**2,343,133**	1,530,570
- Accounts receivable and other assets	**14,069,864**	13,548,866
Investments at fair value through statement of income:		
Investments at fair value through statement of income	**414,387**	923,149
Available for sale investments at fair value:		
Available for sale investments	**408,682**	414,754
	17,236,066	16,417,339
Financial liabilities:		
Financial liabilities at amortised cost:		
Accounts payable and other liabilities	**8,292,998**	7,765,744
Ijara financing	**805,000**	805,000
	9,097,998	8,570,744

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

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

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

31 December 2013	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income				
Investments held for trading				
Local quoted securities	200,175	-	-	200,175
Local managed portfolio	212,857	-	-	212,857
Designated on initial recognition:				
Local unquoted securities	-	-	1,355	1,355
Available for sale investments				
Local unquoted securities	-	-	408,682	408,682
	413,032	-	410,037	823,069

31 December 2012	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income				
Investments held for trading				
Local quoted securities	247,400	-	-	247,400
Local managed portfolio	107,914	-	-	107,914
Foreign managed portfolio	-	500,480	-	500,480
Designated on initial recognition:				
Local unquoted securities	-	-	1,355	1,355
Available for sale investments				
Local unquoted securities	-	-	414,754	414,754
	355,314	500,480	416,109	1,271,903

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

Measurement at fair value

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

a) Quoted securities

All the listed equity securities are publicly traded on a recognized stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

b) Local managed portfolio

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

c) Foreign managed portfolio

The underlying investments of foreign managed portfolio primarily comprise of foreign quoted and unquoted securities. The fair value of the quoted underlying securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the unquoted underlying securities has been determined using valuation techniques that are normally used by portfolio Managers. All significant inputs into the model are based on observable market prices.

d) Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

Level 3 fair value measurements

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

	Investments at fair value through statement of income KD	Available for sale Investments KD	Total KD
31 December 2013			
Opening balance	**1,355**	**414,754**	**416,109**
Gains or losses recognised in:			
- Other comprehensive income	**-**	**(6,072)**	**(6,072)**
Closing balance	**1,355**	**408,682**	**410,037**
31 December 2012			
Opening balance	1,355	3,288,421	3,289,776
Sale	-	(1,832,354)	(1,832,354)
Gains or losses recognised in:			
- Consolidated statement of income	-	(988,528)	(988,528)
- Other comprehensive income	-	(51,430)	(51,430)
Closing balance	1,355	416,109	417,464

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

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Available for sale investments and investments at fair value through statement of income:

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

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

Gains or losses recognized in the consolidated statement of income for the year are included in loss on sale of investments at fair value through statement of income, change in fair value of investments at fair value through statement of income and gain on sale of available for sale investments.

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

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

27.3 Fair value measurement of non-financial assets

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties - Building in Kuwait	-	-	**1,440,000**	**1,440,000**
Real estate portfolio	-	-	**987,157**	**987,157**
	-	-	**2,427,157**	**2,427,157**

27 Fair value measurement (continued)

Level 3 fair value measurements (continued)

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

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

Buildings in Kuwait

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

Real estate portfolio

The real estate portfolio represents a land catergorised as "Investment Land". The fair value of the land has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of properties. The significant inputs and assumptions are developed in close consultation with management. The valuers have valued the land using the market comparison. When the market comparison approach is used adjustments have been incorporated for factors specific to the land in question, including plot size, location and current use. For the valuation purpose, the group has selected the lower value of the two valuations (2012: lower of two valuations).

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

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building in Kuwait	Yield method and Market comparison approach	Estimate market price for building (per sqm)	KD1,807 to KD2,196	Higher the price per square meter, higher the fair value
Real estate portfolio	Market comparison approach	Estimated market price for land (per sqm)	AED30 to AED35	Higher the price per square meter, higher the fair value

The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investment property KD	Real Estate portfolio KD	Total KD
31 December 2013			
Opening balance	**1,554,454**	**987,157**	**2,541,611**
Sales	**(483,494)**	**-**	**(483,494)**
Gains or losses recognised in consolidated statement of income:			
- Change in fair value of investment property	**190,000**	**-**	**190,000**
- On disposal	**179,040**	**-**	**179,040**
Closing balance	**1,440,000**	**987,157**	**2,427,157**
Total amount included in profit or loss for unrealised gains on Level 3 assets	**190,000**	**-**	**190,000**

28 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:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Profit / (loss) for the year	**185,071**	(634,193)
Total equity	**13,063,509**	12,886,710
Return on equity	**1.4%**	(5)%