First Investment Company K.S.C.P and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

Building a better
working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of First Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait, 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 of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 the Group as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, and by the Parent Company's Memorandum of Incorporation and Articles 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, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2013 that might have had a material effect on the business of the Parent Company or on its financial position.

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

ALI A. AL-HASAWI
LICENCE NO. 30 A
RÖDL MIDDLE EAST
BURGAN - INTENTIONAL ACCOUNTANTS

31 March 2014
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2013

	Notes	***2013*** ***KD***	*2012* *KD*
INCOME			
Murabaha income		**75,056**	68,431
Rental income		**282,999**	634,399
Realised gain on financial assets at fair value through profit or loss	4	**71,943**	54,009
Unrealised loss on financial assets at fair value through profit or loss	4	**(40,686)**	(125,959)
Gain on disposal of financial assets available-for-sale		**211,877**	2,821,193
Gain on disposal of properties under development	12	**287,982**	153,277
Gain on disposal of investment properties		**196,145**	92,113
Gain on revaluation of investment properties	13	**1,760,749**	137,324
Placement and arrangement fees		**71,490**	-
Management fees		**678,711**	988,115
Dividend income	5	**128,595**	110,533
Gain on disposal of associates	11	-	772,299
Share of results of associates	11	**1,339,086**	896,278
Gain on settlement of murabaha payables		-	1,110,365
Other income		**431,697**	501,243
		5,495,644	8,213,620
EXPENSES			
Reversal of murabaha and ijara receivables provision	9	**385,410**	453,980
Impairment of financial assets available-for-sale	10	**(1,279,222)**	(1,439,964)
Provision and write of other assets	14	-	(192,161)
Staff costs		**(2,052,873)**	(2,133,210)
Foreign exchange gain		**59,902**	949,906
Depreciation		**(149,158)**	(136,333)
Finance costs		**(1,290,289)**	(1,680,876)
Other expenses		**(764,582)**	(956,633)
		(5,090,812)	(5,135,291)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' REMUNERATION		**404,832**	3,078,329
Contribution to KFAS		-	(16,799)
Contribution to NLST		-	(64,600)
Zakat		-	(24,805)
Directors' remuneration		-	-
PROFIT FOR THE YEAR		**404,832**	2,972,125
Attributable to:			
Owners of the Parent Company		**213,260**	2,909,976
Non-controlling interests		**191,572**	62,149
		404,832	2,972,125
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	6	**0.33 fils**	4.5 fils

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	*2013* *KD*	*2012* *KD*
Profit for the year		**404,832**	2,972,125
Other comprehensive income			
Other comprehensive income to reclassified to consolidated statement of income in subsequent period :			
Financial assets available-for-sale:			
Unrealised loss		**(1,267,667)**	(1,920,672)
Transferred to consolidated statement of income on impairment	10	**1,279,222**	1,439,964
Net unrealised gain (loss) on financial assets available-for-sale		**11,555**	(480,708)
Share of other comprehensive income of associates		**165,604**	47,351
Exchange differences on translation of foreign operations		**(49,665)**	(406,842)
Other comprehensive income (loss) for the year		**127,494**	(840,199)
Total comprehensive income for the year		**532,326**	2,131,926
Attributable to:			
Owners of the Parent Company		**400,664**	1,987,405
Non-controlling interests		**131,662**	144,521
		532,326	2,131,926

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	*2013* *KD*	*2012* *KD*
ASSETS			
Bank balances and cash	7	**5,622,420**	8,116,741
Financial assets at fair value through profit or loss	8	**2,581,518**	1,351,240
Murabaha and ijara receivables	9	**612,628**	2,116,007
Financial assets available-for-sale	10	**29,077,299**	32,266,092
Investment in associates	11	**55,164,535**	53,000,509
Properties under development	12	**17,314,711**	17,383,621
Investment properties	13	**28,977,278**	26,816,298
Other assets	14	**3,542,509**	4,372,229
Property and equipment		**1,134,843**	1,198,768
TOTAL ASSETS		**144,027,741**	146,621,505
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**65,107,055**	65,107,055
Share premium	15	**18,250,362**	18,250,362
Treasury share	15	**(142,918)**	(104,693)
Statutory reserve	16	**539,218**	517,892
Share options reserve	3	**3,016,890**	3,016,890
Treasury shares reserve	15	**1,118,684**	1,090,539
Cumulative changes in fair values		**276,030**	134,667
Foreign currency translation reserve		**601,569**	555,528
Retained earnings		**4,650,306**	4,458,372
Equity attributable to owners of the Parent Company		**93,417,196**	93,026,612
Non-controlling interests		**19,609,249**	19,750,500
Total equity		**113, 026,445**	112,777,112
Liabilities			
Murabaha and sukuk payables	17	**27,200,000**	29,560,317
Other liabilities	18	**3,801,296**	4,284,076
Total liabilities		**31,001,296**	33,844,393
TOTAL EQUITY AND LIABILITIES		**144,027,741**	146,621,505

Badar Mohammed Al-Qatan
Chairman

Khalifa Abdulla Al-Ajeel
Vice Chairman

The attached notes 1 to 25 form part of these consolidated financial statements.

First Investment Company K.S.C.P and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Parent Company										Non-controlling interests	Total equity
	Share Capital KD	Share premium KD	Treasury share KD	Statutory reserve KD	Share options reserve KD	Treasury shares reserve KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	KD	KD
As at 1 January 2013	65,107,055	18,250,362	(104,693)	517,892	3,016,890	1,090,539	134,667	555,528	4,458,372	93,026,612	19,750,500	112,777,112
Profit for the year	-	-	-	-	-	-	-	-	213,260	213,260	191,572	404,832
Other comprehensive income (loss) income for the year	-	-	-	-	-	-	141,363	46,041	-	187,404	(59,910)	127,494
Total comprehensive income for the year	-	-	-	-	-	-	141,363	46,041	213,260	400,664	131,662	532,326
Purchase treasury share	-	-	(285,027)	-	-	-	-	-	-	(285,027)	-	(285,027)
Sale of treasury shares	-	-	246,802	-	-	28,145	-	-	-	274,947	-	274,947
Transfer to reserves	-	-	-	21,326	-	-	-	-	(21,326)	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(272,913)	(272,913)
At 31 December 2013	**65,107,055**	**18,250,362**	**(142,918)**	**539,218**	**3,016,890**	**1,118,684**	**276,030**	**601,569**	**4,650,306**	**93,417,196**	**19,609,249**	**113,026,445**
As at 1 January 2012	65,107,055	18,250,362	-	216,274	3,016,890	1,090,539	632,864	979,902	1,850,014	91,143,900	19,873,439	111,017,339
Profit for the year	-	-	-	-	-	-	-	-	2,909,976	2,909,976	62,149	2,972,125
Other comprehensive (loss) income for the year	-	-	-	-	-	-	(498,197)	(424,374)	-	(922,571)	82,372	(840,199)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(498,197)	(424,374)	2,909,976	1,987,405	144,521	2,131,926
Purchase treasury share	-	-	(104,693)	-	-	-	-	-	-	(104,693)	-	(104,693)
Transfer to reserve	-	-	-	301,618	-	-	-	-	(301,618)	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(267,460)	(267,460)
At 31 December 2012	65,107,055	18,250,362	(104,693)	517,892	3,016,890	1,090,539	134,667	555,528	4,458,372	93,026,612	19,750,500	112,777,112

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit for the year		**404,832**	2,972,125
Adjustments for:			
Depreciation		**149,158**	136,333
Finance costs		**1,290,289**	1,680,876
Murabaha income		**(75,056)**	(68,431)
Realised gain on financial assets at fair value through profit or loss		**(71,943)**	(54,009)
Unrealised loss on financial assets at fair value through profit or loss		**40,686**	125,959
Gain on disposal of financial assets available-for-sale		**(211,877)**	(2,821,193)
Gain on revaluation on investment properties		**(1,760,749)**	(137,324)
Gain on disposal of properties under development	12	**(287,982)**	(153,277)
Gain on disposal of investment properties		**(196,145)**	(92,113)
Dividend income	5	**(128,595)**	(110,533)
Gain on disposal of associates	11	**-**	(772,299)
Share of results of associates	11	**(1,339,086)**	(896,278)
Gain on settlement of murabaha payables		**-**	(1,110,365)
Reversal of murabaha and ijara receivables provision	9	**(385,410)**	(453,980)
Impairment of financial assets available-for-sale	10	**1,279,222**	1,439,964
Provision and write off of other assets	14	**-**	192,161
Foreign exchange gain		**(59,902)**	(949,906)
		(1,352,558)	(1,072,290)
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		**(1,199,021)**	344,173
Murabaha and ijara receivables		**1,135,124**	452,430
Other assets		**1,189,170**	1,194,563
Other liabilities		**(1,111,580)**	89,033
		(1,338,865)	1,007,909
Murabaha income received		**75,056**	62,911
Finance costs paid		**(1,354,834)**	(2,337,133)
Net cash flows used in operating activities		**(2,618,643)**	(1,266,313)
INVESTING ACTIVITIES			
Dividend income received	5	**128,595**	110,533
Proceeds from disposal of financial assets available-for-sale		**1,109,673**	970,444
Purchase of investment properties		**(1,133,815)**	(807,096)
Proceeds from disposal of investment properties		**567,999**	6,117,856
Purchase of investment in associates		**(1,700,411)**	(2,123,062)
Proceeds from disposal of investment in associates		**2,013,659**	1,936,000
Dividends received from associates		**321,367**	319,992
Purchase of properties under development		**(715,177)**	(543,217)
Proceeds from sale of properties under development		**1,120,120**	1,213,877
Purchase of property and equipment		**(85,233)**	(141,972)
Net cash flows from investing activities		**1,626,777**	7,053,355
FINANCING ACTIVITIES			
Proceeds from increase in murabaha and sukuk payables			356,700
Repayment of murabaha and sukuk payables		**(1,219,462)**	(6,969,508)
Purchase of treasury shares		**(285,027)**	(104,693)
Sale of treasury shares		**274,947**	
Distribution to non-controlling interests		**(272,913)**	(267,460)
Net cash flows used in financing activities		**(1,502,455)**	(6,984,961)
NET DECREASE IN BANK BALANCES AND CASH		**(2,494,321)**	(1,197,919)
Bank balances and cash at 1 January		**8,116,741**	9,314,660
BANK BALANCES AND CASH AT 31 DECEMBER	7	**5,622,420**	8,116,741

The attached notes 1 to 25 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of First Investment Company K.S.C.P (the "Parent Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 31 March 2014. The shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

The Parent Company is a Kuwaiti shareholding public company incorporated on 26 July 1997 and regulated under Companies Law No. 25 of 2012 and amendments thereto and is regulated by the Central Bank of Kuwait ("CBK") and Capital Market Authority ("CMA") as an investment company. The Parent Company's shares are listed on Kuwait Stock Exchange. The Parent Company's registered office is at Souk Al Safat, Abdullah Mubarak Street, Kuwait City.

The Parent Company is principally engaged in the provision of investment and financial services and all activities are carried out in compliance with the Memorandum of Association, the Article of Association and the Islamic Sharia.
The objectives of the Company shall be as follows:

To carry out all investment activities in all sectors by all legal and legitimate methods that the Company deems appropriate for achieving its objectives inside the State of Kuwait and abroad either for its own interest or on behalf of others. The Company shall, in particular, carry out the following activities:

1 To conduct all financial brokerage activities and other related activities.
2. To invest in real estate, industrial, agricultural, and other economic sectors through shareholding in incorporating specialized companies or acquisition of shares of such companies.
3. To carry out securities trading transitions including buying and selling stocks and bonds of governmental and non-governmental agencies and companies.
4. To carry out real estate investment deals with the objective of developing residential lands and constructing residential and commercial units for sale or rent.
5. To assume the role of a Fund Trustee and Third Party Portfolio Manager as well as the related borrowing and lending transactions.
6. To carry out finance and brokerage activities in the international trading transactions.
7. To produce researches, studies, and other technical services related to investment operations and third party fund employment, provided that the required conditions should be met by those exercising such activities.
8. To establish and manage mutual funds in pursuance with Law and subject to approval of the competent authorities.
9. To assume the role of lead manager for bonds issued by companies and agencies.
10. To carry out brokerage business in the investment of financial instruments and securities.
11. To finance the buying and selling of residential plots for housing purposes, and to finance the construction of residential buildings on such plots.
12. To finance purchase and sale of durable and consumable goods.
13. To invest fund for its own interest and for the interest of the third parties in all types of investments by means of leasing, and to do the necessary acquisition and leasing of movable assets.
14. To purchase lands and real estates for the purpose of selling the same in their original condition or after the division thereof, leasing the same unoccupied or uninhabited, or after the construction of new facilities, building, and equipment.

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective provision, which has been replaced by CBK's requirement for a minimum general provision made on all applicable credit facilities that are not provided specifically.

The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss, financial assets available-for-sale and investment properties that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars which is also the functional currency of the Parent Company.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

Details of subsidiaries are set out below:

Name	*Country of Incorporation*	*% equity interest 2013*	*% equity interest 2012*	*Principal activity*
Al Marwa Holding Company K.S.C. (Closed)	Kuwait	99.22%	99.22%	Holding company
FIC Projects Development Company	Cayman Islands	100%	100%	Real estate investment
Deema Real Estate Investment Company L.L.C.	Saudi Arabia	95%	95%	Real estate investment
First Energy Resource Company K.S.C.(Closed)	Kuwait	33.21%	33.21%	Investment in energy sector
First Investment Fund E. Company *	Bahrain	-	100%	Special purpose company for fiduciary assets
FIC Sukuk Company Limited	Cayman Islands	100%	100%	Holding assets on trust of sukuk holders
Masadar Energy Company for General Trading W.L.L	Kuwait	98%	98%	General trading
Shomoul Real Estate Company L.L.C.	Saudi Arabia	50%	50%	Real estate investment
Yasmeen Al Kuwait Real Estate Company W.L.L.	Kuwait	97%	97%	Real estate trading
Q80 Valve Industries Factory	Kuwait	66.6%	66.6%	Manufacturing
Asian Petroleum Facilities Maintenance Company W.L.L.	Kuwait	66.6%	66.6%	Investment in energy sector

2.2 BASIS OF CONSOLIDATION (continued)

* During the current year , The Parent company liquidated its investment in First Investment Fund E Company , no losses or gains were resulted from the liquidation.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

- Sale of properties is recognised when the risk and rewards of ownership have passed to the buyer usually evidenced by transfer of title of the properties.
- Murabaha and ijara income are recognised on a time proportion basis so as to yield a constant periodic rate of return based on the net balance outstanding.
- Rental income arising from operating leases of investment properties is accounted for on an accrual basis on contract terms.
- Management fees relating to portfolios and fund management, custody and on-going advisory services are recognised as earned.
- Dividend income is recognised when the Group's right to receive the payment is established.

Share based payment transactions
The Group operates an equity-settled, share-based Employee Stock Option Plan (ESOP). The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the market value of the Parent Company's shares at each reporting date and the date of final settlement to the exercise price with any change in intrinsic value recognised in the consolidated statement of income.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date, reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the Board of Directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

Financial instruments - initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as "financial assets at fair value through statement of income", "loans and receivables" (murabaha and ijara receivables) and "financial assets available-for-sale". The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through statement of income.

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

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

Financial assets at fair value through statement of income
These are financial assets that are either financial assets held for trading or those designated as at fair value through statement of income upon initial recognition. A financial asset is classified in this category only if they are acquired principally for the purpose of generating profit from short-term fluctuation in price or if so designated by the management only if criteria under IAS 39 are satisfied.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets at fair value through statement of income (continued)

Financial assets at fair value through statement of income are carried in the statement of financial position at fair value. Resultant unrealised gains and losses arising from changes in fair value are included in the consolidated statement of income.

The Group evaluates its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through statement of income using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Financial assets available-for-sale

Financial assets available-for-sale are those financial assets that are not classified as financial assets at fair value through statement of income or held for trading.

After initial recognition, financial assets available-for-sale are subsequently measured at fair value with unrealised gains and losses recognised in the consolidated statement of other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in consolidated statement of income, or determined to be impaired, is reclassified to the consolidated statement of income and removed from the available-for-sale reserve. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

The Group evaluates whether the ability and intention to sell its financial assets available-for-sale in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to consolidated statement of income over the remaining life of the investment using the effective interest rate (EIR) method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Reclassification from financial assets available-for-sale to investment in associates is made upon acquisition of significant influence over the investment. Such transfer is made at original cost and any gain or loss previously classified in cumulative changes in fair value reserve is reversed to bring the carrying value to its original cost.

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 measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Loans and receivables comprises of following:

Murabaha and ijara receivables

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis.

Ijara is an Islamic transaction involving purchase and immediate lease of an asset where the lessor conveys to the lessee the right to use the asset for an agreed period of time in return for a payment or a series of payments. At the end of the lease term, the lessee has the option to purchase the asset.

Murabaha and ijara receivables arising from the Group's financing of transactions on an Islamic basis are stated at amortised cost. Third party expenses such as legal fees, incurred in granting a murabaha or ijara are treated as part of the cost of the transaction.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Loans and receivables (continued)

Murabaha and ijara receivables (continued)
All murabaha and ijara receivables are recognized when the legal right to control the use of the underlying asset is transferred to the customer.

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

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

When 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 of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the assets. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

ii) Impairment of financial assets
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

An assessment is made at each reporting date to determine whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, an impairment loss is recognised in the consolidated statement of income.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated statement of income.

Loans and receivables
Loans and receivables are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated statement of income.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for cash facilities and 0.5% for non cash facilities is made on all applicable credit facilities (net of certain categories of collateral), that are not provided for specifically.

Financial assets available-for-sale
For financial assets available-for-sale, the Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets available-for-sale is impaired.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

ii) Impairment of financial assets (continued)

Financial assets available-for-sale (continued)
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 measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available-for-sale previously recognised in the consolidated statement of income, is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment is recognised directly in other comprehensive income.

iii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through statement of income and loans and borrowings ('murabaha payables' and 'other liabilities'), as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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

Murabaha payable
Murabaha payable represents the amount payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Other liabilities
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. 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.

iv) 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.

v) 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 24.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, investment in associates is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. The Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's statement of income. The Group's share of those changes is recognised in statement of comprehensive income.

Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The reporting dates of the associates and the Group are identical and in case of different reporting date of associate from that of the Group, 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 the like transactions and events in similar circumstances.

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in 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 recognizes the amount as 'impairment loss' in the consolidated statement of income.

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

Investment properties
Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise.

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

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

Properties under development
Properties under development are developed for future sale in the ordinary course of business, rather than to be held for rental or capital appreciation and are stated at lower of cost and net realizable value. Cost includes freehold rights for land, amounts paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs. Net realizable value is based on estimated selling price in the ordinary course of the business, based on market prices at the statement of financial position date, less costs to completion and the estimated cost of sale.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

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

Employees' end of service benefits
Provision is made for amounts payable to employees under the Kuwaiti Labour Law for private sector, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of termination of the reporting date.

Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the Group's voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares.

The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares. Part of the reserves created or appropriated and retained earnings equivalent to the cost of treasury shares is not available for distribution throughout the holding period.

Foreign currency translation
The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's 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.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at reporting date. All differences are taken to consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of income is also recognised in other comprehensive income or consolidated statement of income, respectively).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

ii) Group companies
Assets and liabilities of foreign entities are translated into Kuwaiti Dinars at the year end rates of exchange and the results of these entities are translated into Kuwaiti Dinars at the average rates of exchange for the year. On equity accounting, the carrying value of the associates is translated into Kuwaiti Dinars at the year end rates of exchange and the results of the associates are translated into Kuwaiti Dinars at the average rates of exchange for the year. All exchange differences are taken to the foreign currency translation reserve until disposal at which time they are recognised in the consolidated statement of income.

Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements, but are disclosed in this note of the consolidated financial statements.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

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

National Labour Support Tax (NLST)
The Parent Company calculates NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit for the year after deducting Board of Directors' remuneration for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

Zakat
Zakat is calculated at 1% of the profit of the Parent Company in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Classification of investments
Management decides on acquisition of an investment whether it should be classified as at fair value through statement of income or available-for-sale.

Classification of investments as fair value through statement of income depends on how management monitors the performance of these investments. When they have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as fair value through statement of income.

All other financial assets are classified as available-for-sale.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments (continued)

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 property under development if it is acquired with the intention of development and for future sale in the ordinary course of business.

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of investment in 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.

Impairment of 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.

Valuation of unquoted investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; and
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Valuation of investment properties

Fair value of investment properties is determined based on valuations by independent registered real estate assessors which have relevant experience in the local and international property market.

2.5 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2013. However the implementation of new and amended IFRS and IFRIC interpretations did not have a significant impact on the Group's financial statements.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendment changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to consolidated statement of income at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2013 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Group's financial position or performance.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries, for example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

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

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its consolidated financial position or performance.

IAS 32 *Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

3 EMPLOYEE STOCK OPTION PLAN

The Parent Company operates share option plan to reward the performance of its employees. Under this plan, the Parent Company may issue shares for cash to eligible employees by increasing its share capital. This scheme is in operation for a period from 1 January 2003. The total capital increase to meet the requirements of the scheme should not exceed 10% of the Parent Company's share capital at 31 December 2002.

No share option were issued or exercised during the current year (2012: Nil). Accordingly no charge was recorded in the consolidated statement of income (2012: Nil).

4 GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Realised gain		*Unrealised loss*	
	2013	*2012*	***2013***	*2012*
	KD	*KD*	***KD***	*KD*
Held for trading	**71,943**	54,009	**(40,686)**	(125,959)
	71,943	54,009	**(40,686)**	(125,959)

5 DIVIDEND INCOME

	2013	*2012*
	KD	*KD*
Financial assets at fair value through profit or loss	**28,795**	9,012
Financial assets available-for-sale	**99,800**	101,521
	128,595	110,533

6 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

Basic and diluted earnings per share are computed by dividing the profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding during the year after adjusting for treasury shares as follows:

	2013	*2012*
Profit attributable to owners of the Parent Company (KD)	**213,260**	2,909,976
Weighted average number of outstanding shares	**651,070,551**	651,070,551
Less: weighted average number of treasury shares	**(1,559,648)**	(66,082)
Weighted average number of shares	**649,510,903**	651,004,469
Basic and diluted earnings per share attributable to owners of the Parent Company	**0.33 fils**	4.5 fils

The Parent Company had no outstanding dilutive potential shares.

7 BANK BALANCES AND CASH

	2013 *KD*	*2012* *KD*
Cash	**400**	400
Bank balances	**5,464,661**	8,116,341
Cash retained in portfolios	**157,359**	-
	5,622,420	8,116,741

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2013 *KD*	*2012* *KD*
Held for trading		
Quoted equity securities	**813,050**	-
Managed funds and portfolio	**1,447,204**	1,029,976
Designated		
Unquoted equity securities	**321,264**	321,264
	2,581,518	1,351,240

Managed funds and portfolios are primarily invested in money market instruments and certain equity securities.

9 MURABAHA AND IJARA RECEIVABLES

	Murabaha		*Ijara*		*Total*	
	2013 *KD*	*2012* *KD*	*2013* *KD*	*2012* *KD*	*2013* *KD*	*2012* *KD*
Gross amount	**943,140**	3,158,582	**127,950**	176,162	**1,071,090**	3,334,744
	943,140	3,158,582	**127,950**	176,162	**1,071,090**	3,334,744
Less: general provision	-	(546,783)	-	-	-	(546,783)
Less: specific provision	**(330,512)**	(495,792)	**(127,950)**	(176,162)	**(458,462)**	(671,954)
Total provision	**(330, 512)**	(1,042,575)	**(127,950)**	(176,162)	**(458,462)**	(1,218,737)
	612,628	2,116,007	-	-	**612,628**	2,116,007

Average profit rate attributable to murabaha receivables during the year was 0.4% (2012: 2.75%) per annum.

Movement in total provision on murabaha and ijara receivables is as follows:

	2013 *KD*	*2012* *KD*
At 1 January	**1,218,737**	3,993,781
Reversal of murabaha and ijara receivables provision	**(385,410)**	(453,980)
Written off during the year	**(374,865)**	(2,321,064)
At 31 December	**458,462**	1,218,737

10 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2013 ***KD***	*2012* *KD*
Unquoted equity securities	**28,983,877**	31,906,889
Quoted equity securities	**6,314**	198,646
Unquoted managed funds	**87,108**	160,557
	29,077,299	32,266,092

Unquoted equity securities are stated at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term. The management has applied appropriate valuation techniques to ensure that fair value is approximately equal to the cost that has been used as a basis for pricing.These valuation techniques have resulted in total positive valuation difference amounting KD 288,763. The management had decided not to recognize such amount as this difference is not significant and the fact that these methods in the approximate evaluation. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments and recorded an impairment loss of KD 1,268,647 (2012: KD 1,434,935) in the consolidated statement of income. Based on the latest available financial information, management is of the view that no further impairment provision is required as at 31 December 2013 in respect of these investments.

During the year, the Group has recorded impairment loss of KD Nil (2012: KD 5,029) on quoted equity investments and KD 10,575 (2012: KD nil) on unquoted managed funds where there has been a significant or prolonged decline in fair value.

During the current year, unquoted equity security with a carrying value of KD 1,140,855 has been transferred to a financial institution against settlement of murabaha payables of KD 1,140,855 (Note 17) .

11 INVESTMENT IN ASSOCIATES

		31 December 2013		*31 December 2012*	
	County of incorporation	***Percentage of ownership***	***Amount KD***	*Percentage of ownership*	*Amount KD*
Adeem Capital (Saudi Shareholders Closed Company)	Saudi Arabia	**40.00%**	**1,505,273**	40.00%	1,636,714
Arkan Al-Kuwait Real Estate Company K.S.C.P	Kuwait	**29.06%**	**10,903,092**	29.03%	10,513,848
Burgan Company for Well Drilling K.S.C.P (Closed)	Kuwait	**20.46%**	**25,472,466**	20.46%	24,887,963
First Education Company K.S.C. (Closed) ("FEDCO") *(i)*	Kuwait	**21.32%**	**3,416,628**	17.16%	2,541,008
Sahab Al-Khalij Real Estate Company B.S.C. (Closed)	Bahrain	**35.29%**	**366,116**	35.29%	948,857
Taameer Investment Company (O.L.L.C.)	Oman	**37.40%**	**11,207,338**	37.40%	11,059,452
Al Jazeera Al Oula Real Estate (W.L.L) ("JORE")	Saudi Arabia	**20.90%**	**2,293,622**	20.90%	1,412,667
			55,164,535		53,000,509

11 INVESTMENT IN ASSOCIATES (continued)

i) During current period, the Parent Company has acquired additional 4.16% equity interest in FEDCO for a purchase consideration of KD 714.355. The Parent Company settled this purchase consideration partly through transfer of an unquoted available for sale investments amounting KD 600.605 and the remaining amount of KD 113.750 will be payable to seller within three month from date of acquisition along with profit amounting to KD 45.825.

The movement in the carrying value of investment in associates is as follows:

	2013 ***KD***	*2012* *KD*
At 1 January	**53,000.509**	55.293.202
Additions	**2,994.362**	2.255.609
Disposals	**(2.013.659)**	(5,944.238)
Dividend received	**(321.367)**	(319,992)
Gain on disposal	-	772.299
Foreign currency translation adjustment	**35.796**	64.841
Cumulative change in fair value	**129,808**	565
Share of results	**1,339,086**	896.278
Treasury shares reserve	-	(18.055)
At 31 December	**55,164.535**	53.000.509

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

	2013 ***KD***	*2012* *KD*
Share of associate's statement of financial position:		
Assets	**73.763,521**	71.742.384
Liabilities	**(27.026,496)**	(27.169.385)
Net assets	**46.737,025**	44,572,999
Goodwill	**8.427,510**	8.427.510
	55.164,535	53.000.509
Share of associate's revenue and results:		
Revenue	**8,448,114**	8.945,044
Result – Profit	**1.339,086**	896.278

Investment in associates include quoted associates with a carrying value of KD 36,375.558 (2012: KD 35.401.811) having a market value of KD 18,641.058 (2012: KD 13.604.310).

The reporting dates of certain associates are not more than three months from that of the Group and there were no significant events or transactions between the reporting dates of associates and 31 December 2013.

12 PROPERTIES UNDER DEVELOPMENT

	2013 ***KD***	*2012* *KD*
At 1 January	**17.383.621**	17.857.359
Additions	**715.177**	543.217
Disposals	**(832.138)**	(1.352.302)
Foreign currency adjustment	**48.051**	335.347
At 31 December	**17.314,711**	17,383.621

During the year the Group has disposed off certain of its properties under development, which resulted in a gain of KD 287.982 (2012: KD 153.277).

13 INVESTMENT PROPERTIES

	2013 *KD*	*2012* *KD*
At 1 January	**26,816,298**	6,383,054
Addition	**1,133,815**	25,951,251
Transfers	**-**	352,723
Disposals	**(733,584)**	(6,025,743)
Revaluation gain	**1,760,749**	137,324
Foreign currency adjustment	**-**	17,689
At 31 December	**28,977,278**	26,816,298

Investment properties are stated at fair values which have been determined based on valuations performed by accredited independent valuers with relevant experience in the market in which the property is situated. The valuers have used the market comparison approach to determine the fair value of the investment properties which was reduced by management based on an expected future swap of debt with a local bank. At 31 December 2013, range of average market price for the investment properties (per sqm) used by the valuers is between KD 25.7 and KD 1,101) (2012: KD 25.6 and KD 740). All investment properties are considered level 2 for the fair value hierarchy and there was no transfers between the levels during the year.

14 OTHER ASSETS

	2013 *KD*	*2012* *KD*
Receivable from sale of property under development	**790,975**	1,216,651
Other receivables	**2,704,900**	3,111,402
Management fees receivable	**113,881**	111,423
	3,609,756	4,439,476
Less: provision	**(67,247)**	(67,247)
	3,542,509	4,372,229

Movement in provision for other assets is as follows:

	2013 *KD*	*2012* *KD*
At 1 January	**67,247**	4,098,929
Charge for the year	**-**	192,161
Written off	**-**	(4,223,843)
At 31 December	**67,247**	67,247

15 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

a) Share capital and share premium:

The authorised, issued and fully paid up in cash, capital of the Parent Company amounted to 651,070,551 shares (2012: 651,070,551 shares) of 100 fils each.

Share premium is not available for distribution.

The Board of Directors of the Parent Company has recommended no cash dividends or bonus shares for the year ended 31 December 2013. This proposal is subject to approval by shareholders Annual General Assembly meeting.

15 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

On 8 May 2013, the Annual General Assembly of the shareholders of the Parent Company approved no cash dividends or bonus shares for the year ended 31 December 2012.

b) Treasury shares;

	2013	*2012*
Number of treasury shares	**1,200,000**	860,000
Percentage of issued shares	**0.18%**	0.13%
Cost of treasury shares in KD	**142,918**	104,693
Market value in KD	**122,400**	104,920

Treasury shares reserve equivalent to the cost of treasury shares have been earmarked as non-distributable.

16 RESERVES

a) Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to owners of the Parent Company before contribution to KFAS, NLST, Zakat, and Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

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

b) Voluntary reserve

In accordance with Article 49 of the Parent Company's Articles of Association, a percentage of the profit for the year attributable to Parent Company's shareholders proposed by the board of directors to be allocated to voluntary reserve. The Annual General Assembly of shareholders may, upon a recommendation by the Board of Directors, resolve to discontinue such annual transfers.

The Board of Directors have not recommended any transfer to voluntary reserve for the current year.

17 MURABAHA AND SUKUK PAYABLES

	2013 *KD*	*2012* *KD*
Murabaha payables	-	2,360,317
Sukuk payable	**27,200,000**	27,200,000
	27,200,000	29,560,317

During the current year, unquoted equity security with a carrying value of KD 1,140,855 has been transferred to a financial institution against settlement of murabaha payables of KD 1,140,855 (Note 10) .

Murabaha payables

Murabaha payables represent murabaha contracts with various financial institutions. The average effective cost attributable to these contracts are 4.75% (2012: 5%) per annum.

Sukuk payable

Repayment of the remaining sukuk payables will be in four semi-annual instalments starting from 31 March 2014. The profit rate of the sukuk payables is 6 months CBK discount rate plus 250 basis points per annum. It also requires, among other things, certain restrictions on the payment of dividends and a requirement to maintain a minimum ratio of total liabilities to total equity of 1.5:1 of the Group.

During the current year, the Parent company entered into negotiations with the sukuk holder to swap the sukuk payables against transfer of the ownership of certain investment properties (Note 13). Final settlement agreement is expected is be completed during the first quarter of 2014.

18 OTHER LIABILITIES

	2013 *KD*	*2012* *KD*
Other payables	**2,766,906**	2,308,801
Accrued expenses	**1,034,390**	1,975,275
	3,801,296	4,284,076

19 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, managed funds, 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 with related parties are as follows:

	2013			2012
	Associates ***KD***	***Major shareholder*** ***KD***	***Total*** ***KD***	*Total* *KD*
Consolidated statement of income				
Gain on disposal of investment properties	**-**	**-**	**-**	92,113
Management fees		**16,962**	**16,962**	41,402
Finance costs		**1,253,808**	**1,253,808**	1,400,458
Consolidated statement of financial position				
Sukuk payable (Note 17)		**27,200,000**	**27,200,000**	27,200,000
Management fees receivable		**66,420**	**66,420**	25,162

Key management personnel compensation

	2013 *KD*	*2012* *KD*
Salaries and other short term benefits	**192,036**	368,650
Terminal benefits	**342,980**	132,223
	535,016	500,873

During the current period, the management of the Parent Company has paid a total amount of KD 300,000 to the previous chief executive officer against some privileges stated in his contract which were not exercised and for his efforts with the Group, this amount has been recorded in the consolidated statement of income.

Other transactions
The Group also manages portfolios on behalf of related parties amounting to KD 6,812,374 (2012: KD 5,985,105) which are not reflected in the Group's consolidated statement of financial position.

20 SEGMENT INFORMATION

Management monitors the operating results of its geographical segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. For management purposes, the Group is organised into three major geographical segments:

- Kuwait
- Saudi Arabia
- Others

The Group does not have any inter-segment transactions.

	Kuwait		Saudi Arabia		Others		Total	
Year ended 31 December	***2013 KD***	*2012 KD*	***2013 KD***	*2012 KD*	***2013 KD***	*2012 KD*	***2013 KD***	*2012 KD*
Income	**1,885,762**	3,412,366	**3,207,534**	4,566,976	**402,348**	234,278	**5,495,644**	8,213,620
Expenses	**(4,288,995)**	(3,943,998)	**(473,921)**	(536,993)	**(327,896)**	(654,300)	**(5,090,812)**	(5,135,291)
Results – Profit (loss)	**(2,403,233)**	(531,632)	**2,733,613**	4,029,983	**74,452**	(420,022)	**404,832**	3,078,329
At 31 December								
Operating assets	**52,080,678**	54,160,312	**74,804,334**	74,049,681	**17,142,729**	18,411,512	**144,027,741**	146,621,505
Operating liabilities	**28,512,503**	32,032,894	**2,488,793**	1,811,499	-	-	**31,001,296**	33,844,393
Other disclosures:								
Investment in associates (Note 11)	**39,792,187**	37,942,819	**3,798,894**	3,049,381	**11,573,454**	12,008,309	**55,164,535**	53,000,509
Reversal of provision against murabaha receivables (Note 9)	**385,410**	453,980	-	-	-	-	**385,410**	453,980
Provision against other assets (Note 14)	-	192,161	-	-	-	-	-	192,161
Impairment of financial assets available-for-sale (Note 10)	**(951,326)**	785,664	-	-	**(327,896)**	654,300	**(1,279,222)**	1,439,964

21 FINANCIAL RISK MANAGEMENT

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

21.1 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 manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group's policy is to enter into murabaha and ijara arrangements only with recognised, creditworthy third parties. The maximum exposure equals the carrying amount as disclosed below. In addition, these receivable balances are monitored on an ongoing basis to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

With respect to credit risk arising from other financial assets of the Group, which comprise bank balance and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Maximum exposure to credit risk
The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements.

BY CLASS OF FINANCIAL ASSETS

	2013 *KD*	*2012* *KD*
Bank balances (excluding cash on hand)	**5,622,020**	8,116,341
Murabaha and ijara receivables	**612,628**	2,116,007
Other assets	**3,542,509**	4,372,229
Total credit risk exposure	**9,777,157**	14,604,577

The maximum exposure to a single counterparty is KD 2,904,610 (2012: KD 3,402,834).

Collateral and other credit enhancements
The murabaha and ijara receivables from non-financial institutions are secured against real estate and unquoted securities. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the provision for credit losses.

The Group can sell the collateral in case of default by the borrower in accordance with the agreements entered with the borrowers. The Group has an obligation to return the collateral on settlement of the receivable.

The fair value of collateral that the Group holds relating to murabaha receivables at 31 December 2013 amounted to KD 519,784 (2012: KD 1,117,776).

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 CREDIT RISK (continued)

Risk concentration of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's assets, before taking into account any collateral held or credit enhancements can be analysed by the industry sectors as follows:

	2013 *KD*	*2012* *KD*
Banks and financial institutions	**5,750,716**	8,985,934
Construction and real estate	**3,254,991**	3,052,149
Individuals	**771,450**	2,566,494
	9,777,157	14,604,577

Credit quality of financial assets that are neither past due nor impaired

For murabaha and ijara receivables, neither internal credit grading system nor external credit grades are used by the Group. Currently, the Group is limiting the Islamic financing activities to certain credit worth customers only. During the year no major new financing is granted by the Group.

The Group manages the credit quality by ensuring that adequate collaterals are available for all the individual facilities granted, which the management reviews on a regular basis.

The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of financing and investing activities.

Financial asset by class that are individualy determined to be impaired

	Gross exposure KD	***Impairment provision KD***
At 31 December 2013		
Ijara receivables	**127,950**	**(127,950)**
Murabaha receivables	**943,140**	**(330,512)**
Other assets	**67,247**	**(67,247)**

	Gross exposure KD	*Impairment provision KD*
At 31 December 2012		
Ijara receivables	176,162	(176,162)
Murabaha receivables	1,795,346	(1,042,575)
Other assets	67,247	(67,247)

Analysis of past due but not impaired

The Group does not have any past due but not impaired financial assets at 31 December 2013 and 31 December 2012.

21 FINANCIAL RISK MANAGEMENT (continued)

21.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents, and readily marketable securities.

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of bank balances and cash, murabaha and ijara receivables and murabaha payables at the reporting date is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on management's estimate of liquidation of those financial assets and settlement of financial liabilities. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of assets and liabilities at 31 December was as follows:

	Maturing within one year					
2013	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 Months KD*	*Sub-Total KD*	*Over 1 year KD*	***Total KD***
ASSETS						
Bank balances and cash	5,622,420	-	-	5,622,420	-	**5,622,420**
Financial assets at fair value through statement of Income	-	2,086,282	196,558	2,282,840	298,678	**2,581,518**
Murabaha and ijara Receivables	-	-	-	-	612,628	**612,628**
Financial assets available-for-sale	394,027		3,448,520	3,842,547	25,234,752	**29,077,299**
Investment in associates	-	324,793	-	324,793	54,839,742	**55,164,535**
Properties under development	-	-	15,382,815	15,382,815	1,931,896	**17,314,711**
Investment properties	26,900,000	110,014	330,040	27,340,054	1,637,224	**28,977,278**
Other assets	2,449,846	19,018	865,224	3,334,088	208,421	**3,542,509**
Property and equipment	-	-	-	-	1,134,843	**1,134,843**
TOTAL ASSETS	**35,366,293**	**2,540,107**	**20,223,157**	**58,129,557**	**85,898,184**	**144,027,741**
LIABILITIES						
Murabaha and sukuk payables	4,046,650	-	4,209,700	8,256,350	18,943,650	**27,200,000**
Other liabilities	1,074,853	397,523	182,842	1,655,218	2,146,078	**3,801,296**
TOTAL LIABILITIES	**5,121,503**	**397,523**	**4,392,542**	**9,911,568**	**21,089,728**	**31,001,296**
NET LIQUIDITY GAP	**30,244,790**	**2,142,584**	**15,830,615**	**48,217,989**	**64,808,456**	**113,026,445**

21 FINANCIAL RISK MANAGEMENT (continued)

21.2 LIQUIDITY RISK (continued)

	Maturing within one year					
2012	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 Months KD*	*Sub-Total KD*	*Over 1 year KD*	*Total KD*
ASSETS						
Bank balances and cash	8,116,741	-	-	8,116,741	-	8,116,741
Financial assets at fair value through statement of income	819,692	-	-	819,692	531,548	1,351,240
Murabaha and ijara receivables	864,556	-	-	864,556	1,251,451	2,116,007
Financial assets available-for-sale	-	1,482,793	1,596,120	3,078,913	29,187,179	32,266,092
Investment in associates	-	-	474,428	474,428	52,526,081	53,000,509
Properties under Development	-	7,668,020	7,668,020	15,336,040	2,047,581	17,383,621
Investment properties	-	-	-	-	26,816,298	26,816,298
Other assets	3,384,030	325,040	413,364	4,122,434	249,795	4,372,229
Property and equipment	-	-	-	-	1,198,768	1,198,768
TOTAL ASSETS	13,185,019	9,475,853	10,151,932	32,812,804	113,808,701	146,621,505
LIABILITIES						
Murabaha and sukuk Payables	300,000	1,703,617	356,700	2,360,317	27,200,000	29,560,317
Other liabilities	1,598,263	957,064	129,000	2,684,327	1,599,749	4,284,076
TOTAL LIABILITIES	1,898,263	2,660,681	485,700	5,044,644	28,799,749	33,844,393
NET LIQUIDITY GAP	11,286,756	6,815,172	9,666,232	27,768,160	85,008,952	112,777,112

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

	Within 3 months KD	***3 to 6 months KD***	***6 to 12 months KD***	***Over 1 year KD***	***Total KD***
2013					
Financial liabilities					
Murabaha and sukuk Payables	4,348,458	-	4,732,078	19,701,136	**28,781,672**
Other liabilities	1,074,853	397,523	182,842	2,146,078	**3,801,296**
	5,423,311	397,523	4,914,920	21,847,214	**32,582,968**

	Within 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*Over 1 year KD*	*Total KD*
2012					
Financial liabilities					
Murabaha and sukuk Payables	631,853	1,710,864	981,420	29,090,187	32,414,324
Other liabilities	1,598,263	957,064	129,000	1,599,749	4,284,076
	2,230,116	2,667,928	1,110,420	30,689,936	36,698,400

21 FINANCIAL RISK MANAGEMENT (continued)

21.3 MARKET RISK

Market risk is the risk that the fair value of an asset will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

21.3.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to profit rate risk on its profit bearing assets and liabilities as a result of reasonably possible changes in profit rates since the Group is not exposed to any floating rate profit bearing assets and liabilities.

21.3.2 Foreign currency risk

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

Foreign currency risk is managed by the Investment Department of the Parent Company on the basis of limits determined by the Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The Group had the following net foreign currency exposure at 31 December:

	2013 KD Equivalent	*2012 KD Equivalent*
Saudi Riyal	**3,788,138**	8,405,895
Qatari Riyal	**3,506**	135,445
Omani Riyal	**11,593,977**	11,091,086
Bahraini Dinar	**367,967**	948,857
US Dollar	**150,970**	181,393
UAE Dirham	**102**	24,674
Euro	**897**	-
UK Pound	**783**	-
	15,906,340	20,787,350

21 FINANCIAL RISK MANAGEMENT (continued)

21.3 MARKET RISK (continued)

21.3.2 Foreign Currency risk (continued)

The table below analyses the effect on profit (loss) and equity of an assumed 5% strengthening or weakening in value of the currency rate against the Kuwaiti Dinar from levels applicable at the year end, with all other variables held constant:

	2013			*2012*		
Currency	*Change in currency rate in %*	*Effect on consolidated statement of income KD*	*Effect on equity KD*	*Change in currency rate in %*	*Effect on consolidated statement of income KD*	*Effect on equity KD*
Saudi Riyal	±5	±538	±189,945	±5	±156,018	±264,277
Qatari Riyal	±5	±175		±5	±6,772	-
Omani Riyal	±5	±19,776	±560,367	±5	±1,582	±552,973
US Dollars	±5	±2,749	±4,355	±5	±1,042	±8,028
UAE Dirham	±5	±5	-	±5	±1,234	-
EURO	±5	±7	-	±5	-	-
Bahraini Dinar	±5	±93	±18,306	±5	-	±47,443

21.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the Investment Department of the Parent Company. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on GCC Stock Exchanges.

The effect on the Group's profit (loss) (as a result of a change in the fair value of financial assets at fair value through statement of income at 31 December) and equity (as a result of a change in the fair value of financial assets available-for-sale at 31 December) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2013			*2012*		
Market indices	*Change in equity price %*	*Effect on consolidated statement of income KD*	*Effect on equity KD*	*Change in equity price %*	*Effect on consolidated statement of income KD*	*Effect on equity KD*
Kuwait	±5	11,937	420	±5	-	±3,874
Saudi Arabia	±5	8,557	-	±5	-	-

21.3.4 Prepayment risk

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

21.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff training and assessment processes.

22 FIDUCIARY ACCOUNTS

The Group manages portfolios on behalf of customers and maintains cash balances and securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 December 2013 amounted to KD 111,643,767 (2012: KD 107,716,806). The total income earned from fiduciary activities amounted to KD 360,310 (2012: KD 549,344).

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, financial assets at fair value through statement of income, financial assets available-for-sale and receivables. Financial liabilities consist of murabaha and sukuk payables and other liabilities.

The fair values of financial instruments, with the exception of certain financial assets available-for-sale carried at cost (Note 10) are not materially different from their carrying values.

Determination of fair value and fair value hierarchy:
The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:
Level 1: quoted prices in active market for the same instrument.
Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

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

December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	***KD***	***KD***	***KD***
Financial assets at fair value through profit or loss				
- Equity securities	**813,050**	-	-	**813,050**
- Managed funds and portfolios	-	-	**1,447,204**	**1,447,204**
Financial assets available-for-sale				
- Equity securities	**6,314**	-	-	**6,314**
- Managed funds and portfolios	-	-	**87,108**	**87,108**

December 2012	Level 1	Level 2	Level 3	Total
	KD	*KD*	*KD*	*KD*
Financial assets at fair value through statement of income				
- Equity securities	-	-	-	-
- Managed funds and portfolios	-	-	1,029,976	1,029,976
Financial assets available-for-sale				
- Equity securities	198,646	-	-	198,646
- Managed funds and portfolios	-	-	160,557	160,557

During the reporting period ended 31 December 2013, there were no transfers between level 1 and level 2 fair value measurements.

23 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	At 1 January 2013 *KD*	*Gain (loss) recorded in the consolidated statement of income* *KD*	*Gain recorded in equity* *KD*	*Net purchases, sales, transfers and settlements* *KD*	*At 31 December 2013* *KD*
Financial assets at fair value through profit or loss					
- Managed funds and portfolios	1.029.976	50,059	-	367.169	**1,447,204**
Financial assets available-for-sale					
- Managed funds and portfolios	160.557	(28.244)	9.468	(54,673)	**87,108**

	At 1 January 2012 *KD*	*Loss recorded in the consolidated statement of income* *KD*	*Gain recorded in equity* *KD*	*Net purchases, sales, transfers and settlements* *KD*	*At 31 December 2012* *KD*
Financial assets at fair value through profit or loss					
- Managed funds and portfolios	1.449.562	(71.950)	-	(347,636)	1.029.976
Financial assets available-for-sale					
- Managed funds and portfolios	616.895	(25,379)	34.975	(465.934)	160.557

24 COMMITMENTS AND CONTINGENCIES

Commitments

	2013 ***KD***	*2012* *KD*
Capital commitments for properties under development	**11,977,613**	11.941.202
Operating lease rentals due within one year	**72,330**	72,330
	12,049,943	12.013.532

Contingencies

At 31 December 2013, the Group had provided bank guarantees amounting to KD 1.364.769 (2012: KD 1,364,769) and corporate guarantees amounting to KD Nil (2012: KD 1,454.873) for which the management anticipates that no material liabilities will arise. These expire within a period of 6 months from the reporting date.

25 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to the owners of the Parent Company. The Group's policy is to keep the gearing ratio less than 1. The Group includes within net debt, Islamic borrowings less bank balances and cash. Capital represents equity attributable to owners of the Parent Company.

	2013	*2012*
	KD	*KD*
Islamic borrowings	**27,200,000**	29,560,317
Less: Bank balances and cash	**(5,622,420)**	(8,116,741)
Net debt	**21,577,580**	21,443,576
Equity attributable to owners of the Parent Company	**93,317,196**	93,026,612
Gearing ratio	**0.23**	0.23