BAYAN INVESTMENT COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT

BAYAN INVESTMENT COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT

CONTENTS

Independent auditors' report

	Pages
Consolidated statement of financial position	3
Consolidated statement of profit or loss	4
Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to consolidated financial statements	8 – 36

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AUDITING OFFICE
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INDEPENDENT AUDITORS' REPORT

The Shareholders
Bayan Investment Company - K.S.C. (Public)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Bayan Investment Company - K.S.C. (Public) (the Parent Company) and subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

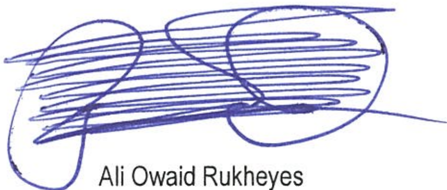
Opinion

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

Report on other Legal and Regulatory Requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 25 of 2012, as amended and its Executive Regulations and the Parent Company's Memorandum of Incorporation and Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, no violation of the Companies Law No. 25 of 2012, as amended and its Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association has occurred during the financial year ended December 31, 2013 which might have materially affected the Group's financial position or results of its operations.

We further report that, during the course of our audit, we have not become aware of any material violations of Law No. 7 of 2010 concerning the Capital Markets Authority and Organization of Security Activity, its subsequent amendments and executive regulations during the financial year ended December 31, 2013.



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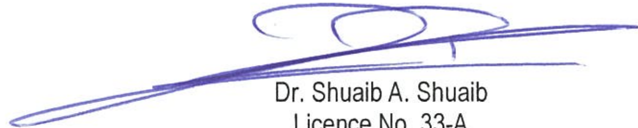


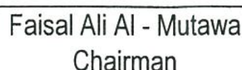
Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
February 24, 2014

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2013	2012
Cash on hand and at banks		**1,102,794**	1,317,605
Investments at fair value through profit or loss	3	**1,506,040**	1,900,877
Accounts receivable and other debit balances	4	**1,644,621**	1,612,787
Inventories		**623,420**	869,634
Investments available for sale	5	**26,023,625**	24,081,535
Investment in unconsolidated subsidiaries		**7,780**	7,780
Investment properties	6	**13,930,000**	12,188,000
Properties under development	7	**71,333,044**	71,333,044
Fixed assets	8	**1,727,378**	1,937,740
Total assets		**117,898,702**	115,249,002
LIABILITIES AND EQUITY			
Liabilities:			
Due to banks	10	**35,704,701**	35,805,321
Accounts payable and other credit balances	11	**30,932,116**	31,058,841
Murabaha payable	12	**75,637**	110,504
Provision for end of service indemnity	13	**260,434**	300,780
Total liabilities		**66,972,888**	67,275,446
Equity:			
Share capital	14	**39,266,391**	39,266,391
Treasury shares	15	**(6,258,179)**	(6,768,265)
Statutory reserve	16	**12,166,782**	12,166,782
Voluntary reserve	17	**10,976,535**	11,029,254
Cumulative changes in fair value		**6,790,566**	4,444,600
Foreign currency translation adjustments		**(1,078,072)**	(576,440)
Treasury shares reserve		**-**	207,405
Accumulated losses		**(25,812,432)**	(26,796,058)
Equity attributable to shareholders of the Parent Company		**36,051,591**	32,973,669
Non-controlling interests		**14,874,223**	14,999,887
Total equity		**50,925,814**	47,973,556
Total liabilities and equity		**117,898,702**	115,249,002

The accompanying notes from (1) to (30) form an integral part of the consolidated financial statements.



Faisal Ali Al - Mutawa
Chairman

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Revenues:			
Net investment income	19	**1,399,244**	787,600
Management and consultancy fees		**231,892**	236,344
Net sales revenue		**712,793**	1,248,907
Impairment reversal on investment properties	6	**1,742,000**	1,463,000
Other income		**21,029**	76,066
		4,106,958	3,811,917
Expenses and other charges:			
Impairment loss on investments available for sale		**267,734**	6,704,294
General and administrative expenses	20	**1,231,049**	1,843,866
Finance charges		**1,651,073**	1,773,217
Foreign exchange loss		**78,878**	221,982
		3,228,734	10,543,359
Profit (loss) for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST) and Zakat		**878,224**	(6,731,442)
NLST	22	**(9,466)**	-
Zakat	23	**(3,786)**	-
Net profit (loss) for the year		**864,972**	(6,731,442)
Attributable to:			
Shareholders of the Parent Company		**983,626**	(6,316,900)
Non-controlling interests		**(118,654)**	(414,542)
Net profit (loss) for the year		**864,972**	(6,731,442)
		Fils	Fils
Earnings (loss) per share attributable to shareholders of the Parent Company	24	**2.74**	(17.64)

The accompanying notes from (1) to (30) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	2013	2012
Net profit (loss) for the year	**864,972**	(6,731,442)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to consolidated statement of profit or loss		
Investments available for sale:		
Changes in fair value of investments available for sale	**2,743,639**	2,912,944
Reversal due to sale of investments available for sale	**(309,700)**	(8,629)
Reversal due to impairment of investments available for sale	**(87,973)**	(33,570)
	2,345,966	2,870,745
Exchange differences on translating foreign operations	**(508,642)**	(329,929)
Other comprehensive income for the year	**1,837,324**	2,540,816
Total comprehensive income (loss) for the year	**2,702,296**	(4,190,626)
Attributable to:		
Shareholders of the Parent Company	**2,827,960**	(3,753,427)
Non-controlling interests	**(125,664)**	(437,199)
Total comprehensive income (loss) for the year	**2,702,296**	(4,190,626)

The accompanying notes from (1) to (30) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	Equity attributable to the shareholders of the Parent Company										
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation adjustments	Treasury shares reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
Balance as at December 31, 2011	39,266,391	(6,768,265)	12,166,782	11,029,254	1,573,855	(269,168)	207,405	(20,479,158)	36,727,096	15,437,086	52,164,182
Total comprehensive income (loss) for the year	-	-	-	-	2,870,745	(307,272)	-	(6,316,900)	(3,753,427)	(437,199)	(4,190,626)
Balance as at December 31, 2012	39,266,391	(6,768,265)	12,166,782	11,029,254	4,444,600	(576,440)	207,405	(26,796,058)	32,973,669	14,999,887	47,973,556
Sale of treasury shares	-	510,086	-	(52,719)	-	-	(207,405)	-	249,962	-	249,962
Total comprehensive income (loss) for the year	-	-	-	-	2,345,966	(501,632)	-	983,626	2,827,960	(125,664)	2,702,296
Balance as at December 31, 2013	**39,266,391**	**(6,258,179)**	**12,166,782**	**10,976,535**	**6,790,566**	**(1,078,072)**	**-**	**(25,812,432)**	**36,051,591**	**14,874,223**	**50,925,814**

The accompanying notes from (1) to (30) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	2013	2012
Cash flows from operating activities:		
Profit (loss) for the year before contribution to KFAS, NLST and Zakat	**878,224**	(6,731,442)
Adjustments:		
Net investment income	**(1,399,244)**	(787,600)
Interest income	**(1,981)**	(3,129)
Impairment reversal on investment properties	**(1,742,000)**	(1,463,000)
Provision for end of service indemnity no longer required	**(808)**	(24,595)
Impairment loss on investments available for sale	**267,734**	6,704,294
Depreciation	**249,726**	262,688
Provision for end of service indemnity	**49,603**	152,972
Loss (gain) on sale of fixed assets	**2,176**	(176)
Related party receivable balance written off	**-**	51,550
Finance charges	**1,651,073**	1,773,217
Foreign exchange loss	**78,878**	221,982
	33,381	156,761
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	**616,956**	1,449,788
Accounts receivable and other debit balances	**(31,834)**	556,788
Inventories	**246,214**	(452,213)
Accounts payable and other credit balances	**(493,386)**	(425,837)
Cash generated from operations	**371,331**	1,285,287
Paid for end of service indemnity	**(89,141)**	(190,299)
Paid for KFAS	**-**	(61,566)
Paid for NLST	**-**	(56,954)
Net cash generated from operating activities	**282,190**	976,468
Cash flows from investing activities:		
Purchase of investments available for sale	**(463,272)**	(320,266)
Proceeds from sale of investments available for sale	**988,353**	864,765
Purchase of fixed assets	**(266,194)**	(212,304)
Proceeds from sale of fixed assets	**12,000**	7,564
Dividends received	**788,186**	507,663
Interest received	**1,981**	3,129
Net cash generated from investing activities	**1,061,054**	850,551
Cash flows from financing activities:		
Due to banks	**(100,620)**	(183,244)
Murabaha payable	**(34,867)**	(134,963)
Proceeds from sale of treasury shares	**249,962**	-
Dividends paid	**(18,521)**	(25,603)
Finance charges paid	**(1,651,073)**	(1,773,217)
Net cash used in financing activities	**(1,555,119)**	(2,117,027)
Net decrease in cash on hand and at banks	**(211,875)**	(290,008)
Effect of foreign currency translation on cash on hand and at banks	**(2,936)**	1,434
Cash on hand and at banks at beginning of the year	**1,317,605**	1,606,179
Cash on hand and at banks at end of the year	**1,102,794**	1,317,605

The accompanying notes from (1) to (30) form an integral part of the consolidated financial statements.

1. Incorporation and activities

Bayan Investment Company (the Parent Company) is a Kuwaiti Public Shareholding company incorporated through an agreement No. 1491/Vol 1 dated July 21, 1997, the latest amendment is on January 24, 2012 and is listed in Kuwait Stock Exchange. The Parent Company's commercial registration number is 70718 dated August 30, 1997.

The principal activities of the Group are to provide investment and portfolio management activities for its own account and for clients and investment in real estate.

The Parent Company is located in Souad Commercial Building, Fahad Al-Salem St., Area 12, Building No. 21 and its registered office is P.O. Box No. 104, Al Dasma 35151, State of Kuwait.

The Parent Company is under the supervision of the Capital Market Authority according to Law No.7/2010 for investment companies.

The Companies Law was issued on November 26, 2012 by Decree No. 25 of 2012 (the "Companies Law"), and had cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended by Law No. 97 of 2013. The Executive Regulations of the new amended law was issued on September 29, 2013 and was published in the Official Gazette on October 6, 2013. As stated in Article No. (3) of the Executive Regulations, all companies have a grace period of one year from the Executive Regulation's publication date to comply with the requirements of the new amended law.

The consolidated financial statements were authorized for issue by the Board of Directors on February 24, 2014. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

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

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except that, investments at fair value through profit or loss and certain investments available for sale that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting policies applied by the Group are consistent with those used in the previous year, except for the changes due to implementation of the following new and amended International Financial Reporting Standard as of January 1, 2013:

IAS 1 Presentation of items of other comprehensive income
The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories

a) Items that will not be reclassified, subsequently to consolidated statement of profit or loss and
b) Items that may be reclassified to consolidated statement of profit or loss when specific conditions are met. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 16 Property, plant and equipment
The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventories, otherwise if they meet definition of inventories as per IAS 2. The amendments are effective for annual periods beginning on or after January 1, 2013.

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

IFRS 10 Consolidated Financial Statements
The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. This standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities
The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. IFRS 12 is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
This IFRS
a) defines fair value.
b) sets out in a single IFRS a framework for measuring fair value.
c) requires disclosures about fair value measurements.

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

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(t).

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

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

IFRS 9 Financial Instruments

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

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

Amendments to IFRS 10 and IFRS 12 for Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2014.

These standards are not expected to have any material impact on the consolidated financial statements.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of Bayan Investment Company - K.S.C. (Public) and the following subsidiaries:

	Country of incorporation	Percentage of Holding %	
		2013	2012
Arkan Holding Company-K.S.C. (Holding) and its subsidiary:	Kuwait	**100%**	100%
Arkan Industrial and Mining Co. (E.S.C.)	Egypt	**100%**	100%
Dar Al Dhabi Holding Co. K.S.C. (Holding) and its wholly owned subsidiary: Dar Al Dhabi Real Estate Company K.S.C.C. (i)	Kuwait	**57.329%**	57.329%
Bunyan Real Estate Company (K.S.C.C.)	Kuwait	**100%**	100%
Babel Holding Co.- K.S.C. (Holding)	Kuwait	**100%**	100%
Sout Al-Ghad trading Co. (W.L.L)	Kuwait	**100%**	100%
Al Safwa International Consulting Co. (W.L.L.)	Kuwait	**100%**	100%
Al Derah Al-Oula Co. for General Trading and Contracting (W.L.L.)	Kuwait	**100%**	100%
Al Ohadayah Project Management Co. (W.L.L.)	Kuwait	**100%**	100%
Al Sanabil Real Estate Co. (W.L.L.)	Kuwait	**100%**	100%
Al Sodasiyah Project Management Co. (W.L.L.)	Kuwait	**100%**	100%

(i) 130 million shares of a subsidiary are pledged against a loan obtained from a local bank (Note 10).

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company:

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Parent Company reassess 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 listed above.

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

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

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

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

c) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39: Financial Instruments: Recognition and Measurement. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting in incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

d) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, receivables, investments, due to banks, payables and Murabaha payable.

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

i) Investments

The Group classifies its investments in the following categories: investments at fair value through profit or loss and investments available for sale. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(a) Investments at fair value through profit or loss
This category has two sub-categories: investments held for trading, and those designated at fair value through profit or loss at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

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

Purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

After initial recognition, investments at fair value through profit or loss and investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices.

If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from investments at fair value through profit or loss are included in the consolidated statement of profit or loss. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in other comprehensive income.

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

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

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

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost.

If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

ii) Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

iii) Accounts payable

Accounts payables include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

iv) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

v) Murabaha payable

Murabaha payable represents an agreement whereby the Group takes a certain amount of cash from another party, and invests it according to specific conditions in return for a certain fee (percentage of the amount invested). Costs of Murabaha payable is expensed on an accrual basis.

e) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

f) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially carried at cost including purchase price and transactions costs less accumulated depreciation and impairment losses. Land on which the investment property is erected is not depreciated.

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

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

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

g) Properties under development

Properties acquired, constructed or in the course of construction for sale are classified as properties under development. Unsold properties are stated at the lower of cost or net realizable value. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings.

The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, the total asset value is eliminated from properties under development.

h) Fixed assets

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated statement of profit or loss in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

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

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other fixed assets as follows:

Assets category	Years
Buildings	20
Machines and equipment	10
Vehicles	5
Furniture	3 – 20
Computers	5

Certain fixed assets used in certain projects are depreciated over the period of the respective contracts.

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

i) Impairment of tangible assets

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

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

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

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

j) Provision for end of service indemnity

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

k) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

l) Capital

Ordinary shares are classified as equity.

m) Treasury shares

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

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

n) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

o) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, investments or services rendered in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts.

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

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

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

Interest income
Interest income is recognized using the effective interest method.

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

Management fees
Management fees are recognized on accrual basis.

Other income
Fees, commission and consultancy revenue is recognized at the time the related services are provided.

p) Borrowing costs

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

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

q) Foreign currencies

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

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

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

r) 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 the notes to the consolidated financial statements.

s) Contingencies

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

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

t) Critical accounting estimates and judgments

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

Judgments

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

(i) Revenue recognition

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

(ii) Provision for doubtful debts and inventories
The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(iii) Classification of investments
On acquisition of an investment, the Group decides whether it should be classified as "at fair value through profit or loss" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments. The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

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

(v) Classification of land
Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development
When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Work in progress
When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

3) Properties held for trading
When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

4) Investment properties
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

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

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

(ii) Provision for doubtful debts and inventories

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

(iii) Impairment of non-financial assets

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

3. Investments at fair value through profit or loss

Investments at fair value through profit or loss represent quoted securities held for trading.

4. Accounts receivable and other debit balances

	2013	2012
Trade receivables	**1,554,944**	1,407,530
Other debit balances	**89,677**	205,257
	1,644,621	1,612,787

The ageing analysis of the trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired: From 90 to 180 days	Past due but not impaired: Over 180 days	Total
2013	**861,255**	**674,870**	**18,819**	**1,554,944**
2012	1,105,594	250,917	51,019	1,407,530

5. Investments available for sale

	2013	2012
Quoted securities	**16,613,600**	14,100,531
Unquoted securities	**6,398,024**	6,398,024
Portfolios	**1,642,417**	2,075,669
Funds	**1,369,584**	1,507,311
	26,023,625	24,081,535

Unquoted securities and portfolios amounting to KD 8,040,441 are carried at cost less impairment losses, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value for these investments (December 31, 2012: KD 8,473,693). There is no active market for these investments and the Group intends to hold them for the long term. Impairment loss recognized on such investments for the year ended December 31, 2013 amounted to KD 207,529 (December 31, 2012: KD 3,433,085).

Quoted security amounting to KD 7,598,549 is pledged as collateral against loans granted by local banks (December 31, 2012: KD 7,647,891) (Note 10).

Investments available for sale are denominated in the following currencies:

Currency	2013	2012
Kuwaiti Dinar	**21,307,217**	18,931,877
US Dollar	**2,203,744**	2,636,994
Euro	**977,804**	977,804
UAE Dirham	**1,534,860**	1,534,860
	26,023,625	24,081,535

On October 13, 2008 the IASB permitted reclassification of some financial instruments from one category to another in rare circumstances (Amendments to IAS 39 and IFRS 7).

The Parent Company elected to apply the amendment effective July 1, 2008 and reclassified certain investments held for trading with a carrying amount of KD 49,747,536 to available for sale investments. Net unrealized gain on these remaining investments that would have been recognized in the consolidated statement of profit or loss if these financial assets had not been reclassified amounted to KD 1,801,537 (December 31, 2012: Net unrealized gain of KD 415,201).

6. Investment properties

	2013	2012
Lands at cost	**20,300,000**	20,300,000
Less: Provision for impairment loss	**(6,370,000)**	(8,112,000)
	13,930,000	12,188,000

The investment properties are pledged against loan granted by a local bank (Note 10).

The movement during the year is as follows:

	2013	2012
Balance at the beginning of the year	**12,188,000**	10,725,000
Impairment reversal on investment properties	**1,742,000**	1,463,000
Balance at the end of the year	**13,930,000**	12,188,000

The fair value of the investment properties as at December 31, 2013 had been arrived at based on the lowest of the valuations carried out by two independent valuers.

The Group has complied with Capital Markets Authority decision dated July 23, 2012 with respect to guidelines for valuation of investment properties.

7. Properties under development

Properties under development represent plots of land located in Reem Island - Abu Dhabi (UAE) and held with a view to be developed for sale in the future as residential apartments, offices and retail outlets. The estimated cost of the project is AED 5,017,353,779 (KD 385,931,892).

The transfer of ownership as per paragraph No. 7.2 of the contract will be done upon full payment and completion of the development work.

8. Fixed assets

	Land	Buildings	Machines and equipment	Vehicles	Furniture and computers	Capital work in progress	Total
Cost:							
Balance as at December 31, 2012	100,220	910,932	1,687,102	82,294	70,175	145,886	2,996,609
Additions	-	27,894	13,970	5,580	3,472	215,278	266,194
Disposals	-	-	-	(22,400)	-	-	(22,400)
Transfers	-	-	51,014	-	-	(51,014)	-
Foreign currency translation adjustments	(11,011)	(100,960)	(187,401)	(6,756)	(7,820)	(21,964)	(335,912)
Balance as at December 31, 2013	**89,209**	**837,866**	**1,564,685**	**58,718**	**65,827**	**288,186**	**2,904,491**
Accumulated depreciation:							
Balance as at December 31, 2012	-	220,814	726,400	46,615	65,040	-	1,058,869
Charge for the year	-	42,208	195,177	8,989	3,352	-	249,726
Related to disposals	-	-	-	(8,224)	-	-	(8,224)
Foreign currency translation adjustments	-	(25,583)	(85,924)	(4,500)	(7,251)	-	(123,258)
Balance as at December 31, 2013	**-**	**237,439**	**835,653**	**42,880**	**61,141**	**-**	**1,177,113**
Net book value:							
Balance as at December 31, 2013	**89,209**	**600,427**	**729,032**	**15,838**	**4,686**	**288,186**	**1,727,378**
Balance as at December 31, 2012	100,220	690,118	960,702	35,679	5,135	145,886	1,937,740

Depreciation charge has been allocated as follows:

	2013	2012
Net sales revenue	**195,177**	197,352
General and administrative expenses	**54,549**	65,336
	249,726	262,688

9. Principal subsidiary with major non-controlling interest ("NCI") which is material to the Group

Name of subsidiary	Country of incorporation	Ownership interest held by the Group %		Ownership interest held by the NCI %		Principal activities
		2013	2012	**2013**	2012	
Dar Al Dhabi Holding Co. K.S.C. (Holding)	Kuwait	**57.329%**	57.329%	**42.671%**	42.671%	Owning shares of Kuwaiti or foreign shareholding companies

Total non-controlling interest as of December 31, 2013 amount to KD 14,874,223 (December 31, 2012: KD 14,999,887).

Summarized consolidated financial statements for the above subsidiary that has non-controlling interest that are material to the Group.

Summarized consolidated statement of financial position

	2013	2012
Current assets	**48,424**	56,831
Current liabilities	**24,190,721**	24,130,238
Total net current assets	**(24,142,297)**	(24,073,407)
Non-current assets	**71,333,044**	71,347,220
Non-current liabilities	**12,332,827**	12,121,397
Total net non-current assets	**59,000,217**	59,225,823
Net assets	**34,857,920**	35,152,416

Summarized consolidated statement of profit or loss and other comprehensive income

	2013	2012
Net loss	**(278,069)**	(971,485)
Other comprehensive loss	**(16,427)**	(53,096)
Total comprehensive loss	**(294,496)**	(1,024,581)
Loss attributable to non-controlling interest	**(118,654)**	(414,542)

10. Due to banks

	2013	2012
Loans	**35,500,000**	35,500,000
Overdraft	**204,701**	305,321
	35,704,701	35,805,321
Average effective interest rate	**4.50%**	4.50%

The Group had pledged investment properties (Note 6), portion of shares owned in a subsidiary (Note 2b) and quoted security (Note 5) as collateral against loans granted by local banks.

Loans from local banks amounting to KD 7,500,000 and KD 28,000,000 are due for payment on September 30, 2013 and December 31, 2013 respectively and the Parent Company is negotiating the renewal of these loans.

Subsequent to the reporting date, on February 16, 2014, the Parent Company signed a debt settlement agreement with a local bank to settle its loan of KD 28,000,000 where the terms of the settlement agreement are as follows:

a) Write off of KD 3,500,000 of the loan value.
b) In-kind settlement of KD 23,575,000 through the transfer of title of investment properties and qouted equity securities in favour of the bank.
c) Cash payment amounting to KD 925,000 of which KD 350,000 had been paid on signing the agreement and the remaining amount of KD 575,000 will be payable in three quarterly installments starting from June 30,2014 and ending December 31, 2014.

11. Accounts payable and other credit balances

	2013	2012
Trade payables (a)	**24,435,416**	24,559,995
Advance received from customers (b)	**5,502,487**	5,486,060
Other credit balances	**994,213**	1,012,786
	30,932,116	31,058,841

(a) Trade payables include KD 21,937,326 (AED 285,198,846) that represent the remaining amount payable on the acquisition of properties under development.The payable is overdue as at December 31, 2013.

(b) This represents advances from customers for booking their residential apartments or offices that would be constructed as part of the properties under development Note (7). Four customers have raised legal cases claiming refund for the advances paid amounting to KD 252,203 (AED 3,278,797) and final verdicts have been favorably issued for three customers amounting to KD 151,894 (AED 1,974,710).

12. Murabaha payable

This represents facilities obtained by Arkan Industrial and Mining (E.S.C.) (wholly owned subsidiary of Arkan Holding Co. K.S.C. (Holding) – subsidiary) carrying an effective cost rate of 13.5% per annum and are secured by first class commercial mortgage on all tangible and intangible components of the commercial shop of the subsidiary (December 31, 2012: 13.5% per annum).

13. Provision for end of service indemnity

	2013	2012
Balance at the beginning of the year	**300,780**	512,702
Charge for the year	**49,603**	152,972
Transferred to accrued expenses	**-**	(150,000)
Provision no longer required	**(808)**	(24,595)
Paid during the year	**(89,141)**	(190,299)
Balance at the end of the year	**260,434**	300,780

14. Share capital

Authorized, issued and paid up capital consists of 392,663,910 shares of 100 fils each and all shares are paid in cash (December 31, 2012: 392,663,910 shares).

15. Treasury shares

	2013	2012
Number of shares	**31,899,385**	34,499,385
Percentage to issued shares	**8.12%**	8.78%
Market value (KD)	**3,062,341**	1,172,979
Cost (KD)	**6,258,179**	6,768,265

Based on Capital Markets Authority resolution dated December 30, 2013, the Parent Company's management has allotted an amount equal to the treasury shares balance from the voluntary reserve as at December 31, 2013. Such amount will not be available for distribution during the treasury shares holding period.

16. Statutory reserve

As required by Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, Zakat, National Labor Support Tax and Board of Directors' remuneration is transferred to statutory reserve. Such transfers may be discontinued when the reserve exceeds 50% of share capital. This reserve is not available for distribution except for in certain cases stipulated by law and the Parent Company's Articles of Association. No transfer was made to the statutory reserve during the year, due to accumulated losses.

17. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, Zakat, National Labor Support Tax and Board of Directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly upon recommendation by the Board of Directors. No transfer was made to the voluntary reserve during the year, due to accumulated losses.

18. General assembly and proposed dividends

The Board of Directors proposed not to distribute dividends for the year ended December 31, 2013. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on May 8, 2013 approved the Board of Directors' proposal not to distribute dividends for the year ended December 31, 2012.

19. Net investment income

	2013	2012
Dividend income	**788,186**	507,663
Unrealized (loss) gain from investments at fair value through profit or loss	**(4,704)**	58,389
Realized gain on sale of investments at fair value through profit or loss	**226,823**	345,248
Realized gain (loss) on sale of investments available for sale	**388,939**	(123,700)
	1,399,244	787,600

20. General and administrative expenses

General and administrative expenses include staff costs amounting to KD 728,311 (December 31, 2012: KD 1,185,378).

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

Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting accumulated losses, its share of income from Kuwaiti shareholding subsidiaries and associates and transfer to statutory reserve. There is no contribution to KFAS until the accumulated losses are fully set off.

22. National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting its share of income from Kuwaiti listed shareholding subsidiaries and associates and dividends from Kuwaiti listed shareholding companies.

23. Zakat

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

24. Earnings (loss) per share

There are no potential dilutive ordinary shares. Earnings (loss) per share is computed by dividing the net profit (loss) for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	2013	2012
Net profit (loss) for the year attributable to shareholders of the Parent Company	**983,626**	(6,316,900)
	Shares	Shares
Weighted average number of shares outstanding	**359,542,881**	358,164,525
	Fils	Fils
Earnings (loss) per share attributable to shareholders of the Parent Company	**2.74**	(17.64)

25. Related party balances and transactions

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

	Other related parties	2013	2012
(i) Balances included in the consolidated statement of financial position:			
Investments available for sale	1,369,584	**1,369,584**	1,507,311
Accounts payable and other credit balances	100,000	**100,000**	150,000
(ii) Transactions included in the consolidated statement of profit or loss:			
Management and consultancy fees	96,186	**96,186**	36,916
General and Administrative expenses	(44,000)	**(44,000)**	(54,462)
(iii) Key management compensation:			
Salaries and other short term benefits		**151,038**	240,057
Termination benefits		**15,457**	41,364
		166,495	281,421

26. Fiduciary assets

	2013	2012
Portfolios	**37,762,516**	24,003,043
Funds	**3,746,847**	4,677,644
	41,509,363	28,680,687

27. Capital commitments and contingent liabilities

	2013	2012
Capital commitments	**37,303**	99,018
Letters of credit	**113,999**	66,221
	151,302	165,239

28. Segment information

For management purposes, the Group is organized into four main business segments based on internal reporting provided to the chief operating decision maker:

- Investment Operations: Investing for the Group's benefit in securities, portfolios and funds.
- Asset Management and Advisory Services: Investing and managing client portfolios and funds, corporate finance, investment advisory and research
- Real Estate: Holding investment properties for capital appreciation and selling other properties.
- Retail: Selling goods and rendering services in the ordinary course of business.

The segment information for the reportable operating segments is as follows:

	December 31, 2013					
	Investment Operations	Asset Management & Advisory Services	Real Estate	Retail	Unallocated items	Total
Total revenue	1,399,244	231,892	-	712,793	-	2,343,929
Segment results	299,578	122,851	1,742,000	422,717	-	2,587,146
Unallocated operating expenses					(1,651,073)	(1,651,073)
Profit from operations						936,073
Other income					21,029	21,029
Foreign exchange loss					(78,878)	(78,878)
NLST					(9,466)	(9,466)
Zakat					(3,786)	(3,786)
Net profit for the year						864,972
Other information:						
Segment assets	27,957,704	-	85,263,044	4,670,174	-	117,890,922
Investment in unconsolidated subsidiaries	-	-	-	-	7,780	7,780
Total assets						117,898,702
Segment liabilities	66,393,352	-	-	579,536	-	66,972,888
Total liabilities						66,972,888
Depreciation	-	-	-	(249,726)	-	(249,726)

	December 31, 2012					
	Investment Operations	Asset Management & Advisory Services	Real Estate	Retail	Unallocated items	Total
Total revenue	787,600	236,344	-	1,248,907	-	2,272,851
Segment results	(7,312,383)	124,715	1,463,000	963,509	-	(4,761,159)
Unallocated operating expenses					(1,773,217)	(1,773,217)
Loss from operations						(6,534,376)
Other income					76,066	76,066
Related party receivable balance written off					(51,150)	(51,150)
Foreign exchange loss					(221,982)	(221,982)
Net loss for the year						(6,731,442)
Other information:						
Segment assets	27,050,004	-	83,521,044	4,670,174	-	115,241,222
Investment in unconsolidated subsidiaries	-	-	-	-	7,780	7,780
Total assets						115,249,002
Segment liabilities	66,695,910	-	-	579,536	-	67,275,446
Total liabilities						67,275,446
Depreciation	-	-	-	(262,688)	-	(262,688)

29. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, receivables, investments, due to banks, payables and Murabaha payable, and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) **Interest rate risk**
Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on floating rate borrowings).

Year	Increase / (Decrease) in interest rate	Balance on December 31	Effect on consolidated statement of profit or loss
2013			
KD Loans	**±50 basis points**	**35,500,000**	**± (177,500)**
KD Overdraft	**±50 basis points**	**204,701**	**± (1,024)**
2012			
KD Loans	±50 basis points	35,500,000	± (177,500)
KD Overdrafts	±50 basis points	305,321	± (1,527)

b) **Credit risk**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks and receivables. The Group's cash at banks are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks and receivables.

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

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

Year	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on other comprehensive income
2013			
US Dollar	**±5%**	**±18,834**	**±115,276**
Euro	**±5%**	**±1,150**	**±48,890**
UAE Dirham	**±5%**	**±1,096,866**	**±76,743**
Sterling Pound	**±5%**	**±210**	**-**
Egyptian Pound	**±5%**	**-**	**±66,831**
2012			
US Dollar	±5%	±3,187	±131,850
Euro	±5%	±1,098	±48,890
UAE Dirham	±5%	±1,093,592	±76,743
Sterling Pound	±5%	±205	-
Egyptian Pound	±5%	-	±64,872

d) **Liquidity risk**

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

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The maturity profile of assets and liabilities as at December 31, 2013 was as follows:

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets:						
Cash on hand and at banks	1,102,794	-	-	-	-	1,102,794
Investments at fair value through profit or loss	-	1,506,040	-	-	-	1,506,040
Accounts receivable and other debit balances	-	-	1,644,621	-	-	1,644,621
Inventories	-	-	623,420	-	-	623,420
Investments available for sale	-	-	16,613,600	9,410,025	-	26,023,625
Investment in unconsolidated subsidiaries	-	-	-	7,780	-	7,780
Investment properties	-	-	-	-	13,930,000	13,930,000
Properties under development	-	-	-	-	71,333,044	71,333,044
Fixed assets	-	-	-	-	1,727,378	1,727,378
	1,102,794	1,506,040	18,881,641	9,417,805	86,990,422	117,898,702
Liabilities:						
Due to banks	35,704,701	-	-	-	-	35,704,701
Accounts payable and other credit balances	-	388,018	606,195	29,937,903	-	30,932,116
Murabaha payable	-	-	20,575	55,062	-	75,637
Provision for end of service indemnity	-	-	-	-	260,434	260,434
	35,704,701	388,018	626,770	29,992,965	260,434	66,972,888

The maturity profile of assets and liabilities as at December 31, 2012 was as follows:

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets:						
Cash on hand and at banks	1,317,605	-	-	-	-	1,317,605
Investments at fair value through profit or loss	-	1,900,877	-	-	-	1,900,877
Accounts receivable and other debit balances	-	-	1,612,787	-	-	1,612,787
Inventories	-	-	869,634	-	-	869,634
Investments available for sale	-	-	14,100,531	9,981,004	-	24,081,535
Investment in unconsolidated subsidiaries	-	-	-	7,780	-	7,780
Investment properties	-	-	-	-	12,188,000	12,188,000
Properties under development	-	-	-	-	71,333,044	71,333,044
Fixed assets	-	-	-	-	1,937,740	1,937,740
	1,317,605	1,900,877	16,582,952	9,988,784	85,458,784	115,249,002
Liabilities:						
Due to banks	-	305,321	35,500,000	-	-	35,805,321
Accounts payable and other credit balances	-	382,264	630,522	30,046,055	-	31,058,841
Murabaha payable	-	-	87,951	22,553	-	110,504
Provision for end of service indemnity	-	-	-	-	300,780	300,780
	-	687,585	36,218,473	30,068,608	300,780	67,275,446

Analysis of Group's capital commitments and contingent liabilities by remaining contractual maturities:

2013	Less than a year	1 - 5 years	Total
Capital commitments	37,303	-	37,303
Letters of credit	-	113,999	113,999
	37,303	113,999	151,302

2012:	Less than a year	1 - 5 years	Total
Capital commitments	99,018	-	99,018
Letters of credit	-	66,221	66,221
	99,018	66,221	165,239

e) Equity price risk

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

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

	2013			2012		
Market indices	Change in equity price %	Effect on other comprehensive income	Effect on consolidated statement of profit or loss	Change in equity price %	Effect on other comprehensive income	Effect on consolidated statement of profit or loss
Kuwait Stock Exchange	±5%	±830,680	±75,302	±5%	±705,027	±95,044

f) Fair value of financial instruments

The Group measures its financial assets such as investments at fair value through profit or loss and certain investments available for sale at their fair value.

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

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

All financial instruments for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at December 31:

2013:	**Level 1**	**Level 2**	**Total**
Investments at fair value through profit or loss	**1,506,040**	**-**	**1,506,040**
Investments available for sale	**16,613,600**	**1,369,584**	**17,983,184**
Total	**18,119,640**	**1,369,584**	**19,489,224**

2012:	Level 1	Level 2	Total
Investments at fair value through profit or loss	1,900,877	-	1,900,877
Investments available for sale	14,100,531	1,507,311	15,607,842
Total	16,001,408	1,507,311	17,508,719

At December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note 5. The management of the Group has assessed that fair value of cash on hand and at banks, accounts receivable, due to banks, murabaha payable and accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2 and Level 3.

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

30. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

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

	2013	2012
Due to banks	**35,704,701**	35,805,321
Murabaha payable	**75,637**	110,504
Less: cash on hand and at banks	**(1,102,794)**	(1,317,605)
Net debt	**34,677,544**	34,598,220
Total equity	**50,925,814**	47,973,556
Total capital resources	**85,603,358**	82,571,776
Gearing ratio	**40.51%**	41.90%