AREF

مجموعة عارف الاستثمارية

AREF Investment Group

2013

ANNUAL REPORT

His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince

His Highness
Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah
Prime Minister

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BRIEF

AREF Investment Group S.A.K. (Closed) (AREF) was established in 1975. The paid up capital of the company is KD 22,885,937. AREF is regulated by Capital Market Authority & Central Bank of Kuwait. AREF and its subsidiaries and associates (Group) activities are conducted in accordance with Islamic Sharia'h as approved by the Parent Company's Fatwa & Sharia'h Supervisory Board.

AREF in collaboration and coordination with its group companies have adopted good policies that hinge on integrity, harmony and constructive cooperation in order to enable AREF to emerge as a stable growing entity.

AREF is one of the prominent Kuwaiti shareholding company in the region operating in various sectors, which cover a wide range of sectors and activities such as banking, real estate (both within GCC & internationally), logistics, and public services sector. Moreover, AREF's investments span over various geographical regions such as the Middle East, North Africa, Europe, & USA. Group aims to create national, regional and international alliances that ensure fostering entrepreneurship in all the sectors in which it operates.

The financial crisis engulfed all the economic activities across the world market which led to a recessionary environment in most part of the world. Investment entities were badly affected by the financial crisis due to the fall in the asset prices across the board. AREF was also badly hit by the crisis. However, the management of AREF was quick to react to the changing economic conditions and introduced policies and strategies in place to encounter the risks. This swift action ensured that Group remains as a leading investment company that strives to serve its shareholders' interest and steadily contributing to building the economy of State of Kuwait.

BOARD OF DIRECTORS

Mr. Mansour Abdullah Abu Obaid
Chairman

Mr. Hesham Yousif Al-Monea
Vice Chairman

Mr. Adnan Mohammed Al-Wazzan
Board Member

Mr.Khalid Yousif Al-Shamlan
Board Member

Mr. Nawaf Abdullah Al-Fassam
Board Member

CHAIRMAN'S MESSAGE

It is my pleasure to extend many thanks to you personally and on behalf of my fellow board members and the group staff for your attendance at the general assembly meeting. I am also pleased to present to you a sufficient detailed report on the financial year ended on 31/12/2013 the year which has witnessed realizing results. Thanks to the same continued approach adopted by the board of directors and the executive management to arrive at significant tangible results that put the group in the right course.

Our valued shareholders,

Continuing our previous direction, and executing the strategy adopted by the Board of Directors in preserving the Group's assets, and thanks for the blessings and support of Allah, the Group managed to achieve the following accomplishments:

- Net profit of KD 13,237,999 (Kuwaiti Dinar thirteen million and two hundred thirty seven thousand and nine hundred ninety nine only) for the year 2013, of which KD 3,055,586 (Kuwaiti Dinar three million and fifty five thousand and five hundred eighty six only) is attributable to equity holders of the parent company, i.e. at 13 Fils per share.

- Group's assets totaled KD 473,979,193 (Kuwaiti Dinar four hundred seventy three million and nine hundred seventy nine thousand and one hundred ninety three only).

- Total equity amounted to KD 119,508,245 (Kuwaiti Dinar one hundred nineteen million and five hundred eight thousand and two hundred forty five only) with an increase of 118% compared to 2012 financials.

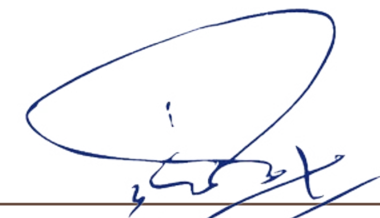
- The Group's expenses decreased by 30% as compared to 2012 and amounted to KD 25,602,351 (Kuwaiti Dinar twenty five million and six hundred two thousand and three hundred fifty one only) for the year 2013. In 2012 where the expenses amounted to KD 36,717,080 (Kuwaiti Dinar thirty six million and seven hundred seventeen thousand and eighty only).

- In addition, the Group continued supporting its subsidiaries and affiliates in rearranging their priorities and financial conditions in the best interest of the Group's shareholders.

In conclusion, we would like to assure you that AREF Investment Group, having begun its recovery due to your continuous support, is still proceeding towards fulfilling its objectives to the best interest of the shareholders. Towards such end, AREF Investment Group adheres to the restructuring plan agreed upon with the creditors, whilst realizing the best possible returns to the shareholders, and returning to practicing in its investment activities pursuant to defined mechanisms that guarantee the group's stability and push it forward. This was contemplated after taking into consideration the international, regional and domestic economic climate, in addition to the concentration of the majority of the Group's investments in politically and economically afflicted areas in the Arab world, before these circumstances come to existence.

It's noteworthy that this success could not have been realized had it not been for the blessings of Allah the Almighty, your support and the harmonious team work of the Board of Directors, the executive managements and all employees of the company through the exerted efforts and the decisions in which everyone participated to make the sought-after results come true and to exalt the Group's position and ensure its continuity. Hoping to fulfill the above mentioned same accomplishments in the upcoming year.

May Allah grant us success.



Mansour Abdullah Abu Obaid
Chairman

ANNUAL REPORT OF SHARIA SUPERVISORY BOARD

TO: SHAREHOLDERS OF AREF INVESTMENT GROUP
PEACE BE UPON YOU,

PRAISE BE TO ALLAH, PEACE AND PRAYERS BE UPON OUR PROPHET MUHAMMAD, HIS FAMILY AND COMPANIONS

WE HAVE REVIEWED THE PRODUCTS USED, CONTRACTS RELATED TO THE TRANSACTIONS AND APPLICATIONS CARRIED OUT BY AREF INVESTMENT GROUP DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2013. WE HAVE ALSO MADE NECESSARY REVISION IN ORDER TO GIVE OUR OPINION ON WHETHER AREF WAS COMPLIANT WITH THE PRINCIPLES AND REGULATIONS OF ISLAMIC SHARIA THROUGH OUR FATWA, RESOLUTIONS AND DIRECTIVES.

THE SHARIA BOARD ALSO REVIEWED AND APPROVED THE FORMS OF CONTRACTS AND AGREEMENTS AFTER OBTAINING INFORMATION. WE BELIEVE WAS NECESSARY IN ORDER TO ISSUE OUR OPINION. THROUGH SHARIA SUPERVISION, RANDOM SAMPLES OF TRANSACTIONS CARRIED OUT BY THE GROUP WITH SHAREHOLDERS, INVESTORS AND OTHER ENTITIES, AND THROUGH THE AFFIRMATION OF THE SHARIA SUPERVISOR BASED ON THE AUDITS AND FIELD VISITS REGARDING WORK PROCEDURES AND APPLICATION OF FATWA AND DECISIONS MADE BY THE SHARIA BOARD.

WE HAVE OBTAINED ALL REQUIRED INFORMATION AND CLARIFICATIONS THAT WERE NECESSARY TO PROVIDE US WITH EVIDENCE CONFIRMING AREF'S COMPLIANCE WITH THE ISLAMIC SHARIA RULES AND REGULATIONS IN ALL TRANSACTIONS EXAMINED BY THE SHARIA SUPERVISORY BOARD.

THROUGH OUR PROCEDURES, WE HAVE CONCLUDED THE FOLLOWING:

1. ALL CONTRACTS AND TRANSACTIONS MADE BY AREF INVESTMENT GROUP IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2013, WHICH WE HAVE EXAMINED, WERE COMPLIANT WITH ISLAMIC SHARIA LAWS, AND WERE IN ACCORDANCE WITH THE DECISIONS AND RECOMMENDATIONS OF THE SHARIA SUPERVISORY BOARD.

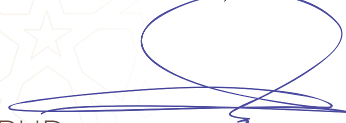
2. CALCULATION OF ZAKAT WAS MADE IN ACCORDANCE WITH THE ISLAMIC SHARIA LAWS, AND IN ACCORDANCE WITH THE DECISIONS AND RECOMMENDATIONS OF THE SHARIA SUPERVISORY BOARD.

PEACE AND PRAYERS BE UPON OUR PROPHET MUHAMMAD, HIS FAMILY AND COMPANIONS.

MEMBERS OF SHARIA SUPERVISORY BOARD

DR.ANWAR SHUWAIB ABDULSALAM

SAYED MUHAMMAD ABDULRAZZAQ AL-TABTABAE, PHD.



MUBARAK JAZA AL-HARBI, PHD.

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AREF INVESTMENT GROUP S.A.K. (CLOSED)

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Emphasis of Matter

Without qualifying our opinion above, we draw attention to Note 2 to the consolidated financial statements, which states that the Group is significantly exposed to Islamic finance payables and currently the Group is unable to meet the principal and finance cost instalment payments from the operational cash flows. These conditions, along with other matters set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding the above facts, the consolidated financial statements have been prepared under the going concern concept as the management of the Parent Company has initiated certain actions, detailed in Note 2, to meet the obligations, as they fall due and also enhance the Group's ability to generate operational cash flows.

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, as amended, 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, as amended, or 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 organization of banking business, and its related regulations and Law No 7 of 2010 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 - INTERNATIONAL ACCOUNTANTS

2, July, 2014
Kuwait

CONSOLIDATED INCOME STATEMENT

	Notes	2013 KD	2012 KD (Restated)
Continuing operations:			
Operating revenues	5	**40,513,717**	3,535,629
Operating costs	5	**(31,822,985)**	(3,943,206)
GROSS PROFIT (LOSS)		**8,690,732**	(407,577)
INCOME			
Islamic finance income		**1,489,577**	934,783
Net gain (loss) on financial assets at fair value through profit or loss		**210,241**	(13,854)
Income from financial assets available for sale	14	**4,739,579**	1,291,836
Income from investment properties	15	**6,580,618**	2,521,206
Share of results of associates and joint ventures	16	**3,074,820**	8,853,803
Dividend income		**486,488**	466,753
Net gain on business combination	4	**286,708**	56,657,708
Gain on extinguishment of a financial liability	17	**8,927,743**	-
Fee income	22	**1,262,085**	-
Foreign exchange gain (loss)		**401,316**	(334,522)
Other income		**676,860**	587,009
		36,826,767	70,557,145
EXPENSES			
Islamic finance costs		**12,328,406**	14,593,743
Staff salaries and benefits		**6,185,346**	2,460,985
General and administration expenses		**9,320,655**	7,587,350
Net (write back of) charge for impairment losses	6	**(2,232,056)**	12,075,002
		25,602,351	36,717,080
Profit from continuing operations		**11,224,416**	33,840,065
Discontinued operations and assets held for sale:			
Profit (loss) from discontinued operations and assets held for sale	7	**2,013,267**	(7,269,225)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCIENCE (KFAS), ZAKAT AND TAXATION ON FOREIGN SUBSIDIARIES		**13,237,683**	26,570,840
KFAS		**(8,646)**	(107,182)
Zakat		**(2,539)**	(127,641)
Taxation on foreign subsidiaries		**11,501**	(205,877)
PROFIT FOR THE YEAR		**13,237,999**	26,130,140
Attributable to:			
Equity holders of the Parent Company		**3,055,586**	19,153,703
Non-controlling interests		**10,182,413**	6,976,437
		13,237,999	26,130,140
Basic and diluted earnings per share attributable to equity holders of the Parent Company	8	**13 fils**	84 fils
Basic and diluted earnings per share from the continuing operations attributable to equity holders of the Parent Company	8	**7 fils**	104 fils

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

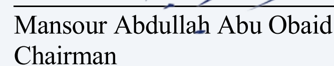
	Notes	2013 KD	2012 KD
Profit for the year		**13,237,999**	26,130,140
Other comprehensive income			
Other comprehensive (loss) income to be reclassified to consolidated income statement:			
Foreign exchange translation differences :			
- Exchange difference on translation of foreign operations		**(1,903,417)**	(5,476,777)
- Foreign exchange translation difference transferred to consolidated income statement on:			
- disposal of subsidiaries		**-**	321,958
- business combinations achieved in stages		**-**	301,957
Cumulative change in fair value transferred to consolidated income statement on deemed disposal of a subsidiary		**-**	120,655
Change in fair value of financial assets available for sale		**24,699**	(2,233,640)
Share of other comprehensive income of associates	16	**3,088**	69,824
Net other comprehensive loss to be reclassified to consolidated income statement in subsequent periods		**(1,875,630)**	(6,896,023)
Other comprehensive income not to be reclassified to consolidated income statement:			
Revaluation of leasehold property	12	**19,350,527**	-
Net other comprehensive income not to be reclassified to consolidated income statement		**19,350,527**	-
Total comprehensive income for the year		**30,712,896**	19,234,117
Attributable to:			
Equity holders of the Parent Company		**9,237,705**	12,994,236
Non-controlling interests		**21,475,191**	6,239,881
Total comprehensive income for the year		**30,712,896**	19,234,117

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 KD	2012 KD (Restated)	As at 1 January 2012 KD (Restated)
ASSETS				
Cash and bank balances	9	**36,036,077**	43,773,972	21,590,183
Islamic finance receivables	10	**705,064**	10,039,549	29,466,693
Inventories		**548,248**	1,226,488	904,271
Real estate development projects	11	**21,611,784**	24,295,545	35,448,489
Leasehold property	12	**142,830,426**	130,920,987	-
Accounts receivable and other assets	13	**50,754,137**	50,030,278	27,177,011
Financial assets at fair value through profit or loss		**3,780,206**	3,566,341	3,980,320
Financial assets available for sale	14	**27,605,877**	25,596,778	47,088,508
Financial assets held to maturity		**-**	-	7,055,255
Investment properties	15	**72,440,498**	92,057,658	55,442,481
Investment in associates and joint ventures	16	**46,334,575**	87,041,373	95,369,461
Property and equipment		**33,827,293**	28,265,244	12,070,968
Assets classified as held for sale	7	**37,505,008**	5,608,050	43,732,585
TOTAL ASSETS		**473,979,193**	502,422,263	379,326,225
LIABILITIES AND EQUITY				
LIABILITIES				
Islamic finance payables	17	**283,277,706**	354,060,639	325,874,931
Accounts payable and other liabilities	18	**70,180,827**	93,428,800	42,455,762
Liabilities classified as held for sale	7	**1,012,415**	-	-
TOTAL LIABILITIES		**354,470,948**	447,489,439	368,330,693
EQUITY				
Share capital	19	**22,885,937**	22,885,937	106,129,148
Share premium	19	**371,450**	371,450	132,661,436
Treasury shares		**(371,450)**	(371,450)	(371,450)
Statutory reserve	20	**2,244,380**	1,938,853	17,056,997
Voluntary reserve		**-**	-	455,751
Other reserve		**191,014**	-	-
Revaluation reserve		**7,854,314**	-	-
Cumulative changes in fair values		**(610,815)**	(638,602)	1,404,559
Foreign currency translation reserve		**(13,189,394)**	(11,489,412)	(7,373,106)
Retained earnings		**18,644,769**	15,894,710	(234,366,085)
Equity attributable to equity holders of the Parent Company		**38,020,205**	28,591,486	15,597,250
Non-controlling interests		**81,488,040**	26,341,338	(4,601,718)
TOTAL EQUITY		**119,508,245**	54,932,824	10,995,532
TOTAL LIABILITIES AND EQUITY		**473,979,193**	502,422,263	379,326,225



Mansour Abdullah Abu Obaid
Chairman

Mohammed Khalifa Al-Adsani
Chief Executive Officer

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Other reserve	Revaluation reserve	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Retained earnings (accumulated losses) KD	Sub total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2013 *(as previously reported)*	22,885,937	371,450	(371,450)	1,938,853	-	-	393,392	(11,489,412)	17,214,850	30,943,620	32,226,165	63,169,785
Effect of IAS 8 (Note 28)	-	-	-	-	-	-	(1,031,994)	-	(1,320,140)	(2,352,134)	(5,884,827)	(8,236,961)
As at 1 January 2013 (restated)	22,885,937	371,450	(371,450)	1,938,853	-	-	(638,602)	(11,489,412)	15,894,710	28,591,486	26,341,338	54,932,824
Profit for the year	-	-	-	-	-	-	-	-	3,055,586	3,055,586	10,182,413	13,237,999
Other comprehensive income (loss) for the year	-	-	-	-	-	7,854,314	27,787	(1,699,982)	-	6,182,119	11,292,778	17,474,897
Total comprehensive income (loss) for the year	-	-	-	-	-	7,854,314	27,787	(1,699,982)	3,055,586	9,237,705	21,475,191	30,712,896
Arising on the formation of ZamZam (Note 22)	-	-	-	-	-	-	-	-	-	-	32,544,699	32,544,699
Ownership changes in subsidiaries	-	-	-	-	191,014	-	-	-	-	191,014	1,126,812	1,317,826
Transfer to statutory reserve	-	-	-	305,527	-	-	-	-	(305,527)	-	-	-
As at 31 December 2013	**22,885,937**	**371,450**	**(371,450)**	**2,244,380**	**191,014**	**7,854,314**	**(610,815)**	**(13,189,394)**	**18,644,769**	**38,020,205**	**81,488,040**	**119,508,245**

The attached notes 1 to 28 form part of these consolidated financial statements

	Attributable to equity holders of the Parent Company										
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	(Accumulated losses) retained earnings KD	Sub total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2012 *(as previously reported)*	106,129,148	132,661,436	(371,450)	17,056,997	455,751	2,436,553	(7,373,106)	(233,045,945)	17,949,384	1,283,109	19,232,493
Effect of IAS 8 (Note 28)	-	-	-	-	-	(1,031,994)	-	(1,320,140)	(2,352,134)	(5,884,827)	(8,236,961)
As at 1 January 2012 (restated)	106,129,148	132,661,436	(371,450)	17,056,997	455,751	1,404,559	(7,373,106)	(234,366,085)	15,597,250	(4,601,718)	10,995,532
Profit for the year	-	-	-	-	-	-	-	19,153,703	19,153,703	6,976,437	26,130,140
Other comprehensive loss for the year	-	-	-	-	-	(2,043,161)	(4,116,306)	-	(6,159,467)	(736,556)	(6,896,023)
Total comprehensive (loss) income for the year	-	-	-	-	-	(2,043,161)	(4,116,306)	19,153,703	12,994,236	6,239,881	19,234,117
Write off of accumulated losses (Note 19)	(83,243,211)	(132,289,986)	-	(17,056,997)	(455,751)	-	-	233,045,945	-	-	-
Transfer to statutory reserve	-	-	-	1,938,853	-	-	-	(1,938,853)	-	-	-
Arising on acquisition of subsidiaries (Note 4)	-	-	-	-	-	-	-	-	-	40,110,847	40,110,847
Deemed disposal of subsidiaries [Note 7 (b) (i)]	-	-	-	-	-	-	-	-	-	(15,407,672)	(15,407,672)
As at 31 December 2012	22,885,937	371,450	(371,450)	1,938,853	-	(638,602)	(11,489,412)	15,894,710	28,591,486	26,341,338	54,932,824

The attached notes 1 to 28 form part of these consolidated financial statements

	Notes	2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit for the year from continuing operations		**11,224,416**	33,840,065
Profit (loss) for the year from discontinued operations		**2,013,267**	(7,269,225)
		13,237,683	26,570,840
Adjustments for:			
Unrealised loss on investment through profit or loss		**(210,241)**	48,226
Gain on sale of financial assets available for sale		**(4,739,579)**	(1,291,836)
Fair valuation gain on investment properties	15	**(2,144,596)**	(483,753)
Share of results of associates and joint ventures	16	**(3,074,820)**	(8,853,803)
Dividend income		**(486,488)**	(466,753)
Net gain on business combination	4	**(286,708)**	(56,657,708)
Gain on extinguishment of a financial liability	18	**(8,927,743)**	-
Loss on deemed disposal/sale of investment in a subsidiary		**-**	293,748
Islamic finance costs		**12,328,406**	15,644,379
Amortisation of leasehold property	12	**7,744,727**	-
Depreciation and amortisation		**699,746**	366,508
Net impairment losses	6	**(2,232,056)**	12,118,602
Impairment losses in discontinued operations	7	**-**	1,546,840
Provision against claims		**-**	3,298,031
Net gain on derecognition of subsidiary	7	**(1,949,369)**	-
Taxation		**(316)**	-
		9,958,646	(7,866,679)
Changes in operating assets and liabilities:			
Islamic finance receivables		**9,044,761**	21,686,261
Inventories		**678,240**	(322,217)
Real estate development projects		**6,420,308**	2,082,240
Accounts receivables and other assets		**(3,321,215)**	22,446,209
Financial assets carried at fair value through profit or loss		**(3,624)**	649,960
Investment properties		**3,665,083**	967,616
Accounts payable and other liabilities		**(4,401,561)**	(28,149,145)
Taxes paid		**-**	(440,700)
Net cash from operating activities		**22,040,638**	11,053,545
INVESTING ACTIVITIES			
Net movement in financial assets available for sale		**5,288,595**	7,954,335
Net movement in investment in associates and joint ventures		**(2,384,375)**	265,502
Dividend received from associates	16	**2,224,236**	740,383
Other dividends received		**486,488**	466,753
Net movement in property and equipment		**(6,228,484)**	4,756,583
Cash inflow on acquisition of subsidiaries		**-**	19,715,551
Net cash outflow on derecognition of investment in subsidiaries		**-**	(120,944)
Gain on sale of Investment in subsidiary without loss of control		**770,618**	-
Net cash inflow on disposal of non-current asset held for sale	7	**514,439**	43,412,885
Net movement in wakala deposits	9	**14,620,786**	-
Net movement in escrow and other restricted accounts	9	**503,022**	(14,637,888)
Net cash from investing activities		**15,795,325**	62,553,160

The attached notes 1 to 28 form part of these consolidated financial statements

	Notes	***2013*** ***KD***	*2012* *KD*
FINANCING ACTIVITIES			
Net movement in Islamic finance payables		**(18,636,879)**	(48,171,380)
Islamic finance cost paid		**(11,190,761)**	(14,072,767)
Net cash used in financing activities		**(29,827,640)**	(62,244,147)
Foreign currency translation adjustment		**(622,411)**	(3,816,656)
INCREASE IN CASH AND CASH EQUIVALENTS		**7,385,912**	7,545,902
Cash and cash equivalents at 1 January		**28,650,165**	21,104,263
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**36,036,077**	28,650,165

The attached notes 1 to 28 form part of these consolidated financial statements

1 CORPORATE INFORMATION

The consolidated financial statements of Aref Investment Group S.A.K. (Closed), (the “Parent Company”) and its Subsidiaries (together the “Group”) were authorised for issue in accordance with a resolution of the Parent Company’s board of directors on 2 July 2014. The general assembly of the Parent Company’s shareholders has the power to amend these consolidated financial statements.

The Parent Company is a Kuwaiti Shareholding Closed Company incorporated and registered in the State of Kuwait. The registered office is at Floor 44, Arraya Tower 2, Sharq, Abdulaziz Al-Sager Street, P.O. Box 24100, Safat 13101, Kuwait.

The purposes and objectives of the Parent Company inside and outside the State of Kuwait are as follows:

- Managing financial funds and portfolios for its own account or third party’s account, considering the diversification of the contents of the portfolios and other guidelines and rules established for well-managed financial investments and the foreign exchange dealings they necessitate.
- Dealing in shares, bonds and other securities and taking legally authorized actions regarding them.
- Undertaking activities for managing finance operations and bonds for third party’s account as well as participating in the management and exchange of these bonds.
- Undertaking finance leasing activities.
- Acting as a broker in finance operations and the finance of investment and trade operations
- Providing various types of finance to third party, complying with safety rules and maintaining a continuous sound financial position of the company in accordance with the conditions, rules and limits established by the Central Bank of Kuwait (“CBK”).
- Investing in commercial and production sectors in the industrial, agriculture fields among others either by direct investments, participation in existing companies or by incorporation of new companies.
- Providing technical and administrative services for projects, preparing economic feasibility studies, surveying opportunities of establishing new projects and providing financial consultations on the restructuring of the financial conditions of companies as well as the proposal, finance and implementation of such restructuring.

The Parent Company is regulated by CBK for financing activities and by Capital Market Authority (“CMA”) as an investment company. All activities are conducted in accordance with Islamic *Shari’a* as approved by the Parent Company’s Fatwa and *Shari’a* Supervisory Board.

The Parent Company is a subsidiary of Kuwait Finance House K.S.C.P. (the “Ultimate Parent Company” or “KFH”) by holding 52.99% of its equity. KFH is an Islamic bank registered with CBK and its shares are listed on Kuwait Stock Exchange (“KSE”).

The Parent Company was incorporated on 20 November 1975 under the Commercial Companies Law No. 15 of 1960.

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.

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2 FUNDAMENTAL ACCOUNTING CONCEPT

During the year, the Group earned profit of KD 13,237,999 (2012: 26,130,140). However, the significant portion of profit for the year is contributed by non-operational activities. Further, due to the significant exposure to Islamic finance payables, the Group's finance cost is very high and currently the Group is unable to meet the principal instalment payment from the operational cash flows. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the above facts, the consolidated financial statements have been prepared under the going concern concept as the management of the Parent Company has initiated certain actions, as follows, to meet the obligations, as they fall due.

a) As at the reporting date, the Group was in the process of selling certain assets to the Ultimate Parent Company towards the settlement of principal instalment due as at 31 December 2013 (Note 17).

b) Post business combination of Sukouk and Munshaat, the Group's operational cash flow have increased and the management of the Parent Company is expecting to have these operational cash flows continued in future years.

c) The Group expects to commence its hotel operations in the State of Kuwait and the Kingdom of Saudi Arabia during the years 2014 to 2015 from the projects that are in progress as at the reporting date. This would generate additional operational cash flows to the Group.

d) The Group anticipate to collect approximately KD 25 million from the sale of assets in Republic of Sudan out of which, a significant portion of the amount is guaranteed by Central Bank of Sudan.

e) Subsequent to the reporting date, the Group has collected around KD 11 million on account of sale of certain investments (Note 13).

f) The management of the Parent Company has constituted task groups to actively manage and generate cash flows from the assets of the Group to ensure Group's obligations are met, as they fall due. Subsequent to the reporting date, the following steps have been taken by the management of the Parent Company to generate sufficient cash flows:

- The Board of Directors of the Parent Company has approved to sell certain investments and realise cash during 2014 to meet the instalments due under master murabaha agreement.

- The Parent Company is in negotiation with some of the debtors to settle the dues either by way of restructuring or by acquisition of certain assets.

In addition to the above, during the year, the Group has entered into a settlement agreement with certain debtors from which the Group has collected approximately KD 8 million.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts, or to the amounts of liabilities to reflect the fact the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the consolidated financial statements.

3.1 BASIS OF PREPARATION

The consolidated financial statements 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 International Accounting Standard (IAS) 39 requirement for a collective provision, which has been replaced by the CBK's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

The consolidated financial statements are prepared under the historical cost convention, except for financial assets carried at fair value through profit or loss, financial assets available for sale, investment properties and leasehold properties that have been measured at fair value. The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Group) (collectively the "Group") as at 31 December 2013. Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefit from its activities.

Subsidiaries are fully consolidated from the date of acquisition being the date on which the Group obtains control, and continue to be consolidated until the date the control ceases. The financial statements of the subsidiaries are prepared for same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. 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 at each reporting date 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.

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3.2 BASIS OF CONSOLIDATION (continued)

Non-controlling interests represent the net assets (excluding goodwill) of consolidated subsidiaries not attributable directly, or indirectly, to the equity holders of the Parent Company. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

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 interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income 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

3.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following amendments and new standards effective as of 1 January 2013 during the year. The adoption of new IFRS also resulted in amendments to policies on basis of consolidation, interest in associates and joint venture and fair value measurement, during the year.

IAS 1: Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment) (effective for annual periods beginning on or after 1 July 2012)
The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to consolidated income statement 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 therefore has no impact on the Group's financial position or performance.

IAS 1: Clarification of the requirement for comparative information (Amendment) (effective for annual periods beginning on or after 1 July 2012)
The amendment to IAS 1 clarifies 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 consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening consolidated statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in consolidated financial statements does not have to be accompanied by comparative information in the related notes. The amendments have no impact on the Group's financial position or performance.

IAS 27: Separate Financial Statements (Amendment) (effective for annual periods beginning on or after 1 January 2013)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

IAS 28: Investments in Associates and Joint Ventures (Amendment) (effective for annual periods beginning on or after 1 January 2013)
As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard has not resulted in any impact on the financial position or performance of the Group.

3.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IAS 32: Tax effects of distributions to holders of equity instruments (Amendment) (effective for annual periods beginning on or after 1 July 2012)
The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the consolidated financial information for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment) (effective for annual periods beginning on or after 1 January 2013)
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 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. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10: Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by the Group, compared with the requirements that were in IAS 27. The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the entity. The Group controls an investee when it 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. Once control is established, the standard requires the Group to start consolidating the investee from the date the investor obtains control of the investee and cease consolidation when the investor loses control of the investee. This resulted in change in accounting policy for "basis for consolidation" as described in above. Adoption of this standard doesn't have any impact on the consolidated financial performance or position of the Group.

IFRS 11: Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This amendment does not have any impact on the consolidated financial statement.

IFRS 12: Disclosure of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2013)
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 material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosures are provided in Note 12, 15 and 24.

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3.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 13: Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
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 has re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 24.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

Standards issued but not yet effective
The standards and interpretations those are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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. In subsequent phases, the IASB is addressing 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. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. 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. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being. The Group is in the process of assissting the impact of IFRS 9 on its consolidated financial statements.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective for annual periods beginning on or after 1 January 2014)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment) (effective for annual periods beginning on or after 1 January 2014)
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment) (effective for annual periods beginning on or after 1 January 2014)
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
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 interest 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 and included in administrative expenses.

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 swaps and profit rate contracts in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

Any contingent consideration to be transferred by the acquirer is 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, is recognised in accordance with IAS 39 either in the consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the 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 recognised in the consolidated income statement.

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.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates.

The following specific recognition criteria must also be met before revenue is recognised.

Contract revenue
Revenue and profits from long-term contracts are calculated in accordance with the percentage of completion method of accounting. Such contracts generally extend for periods in excess of one year. Under this method the amount of revenue and profit from construction contracts is measured by reference to the percentage of actual costs incurred to date to the estimated total costs for each contract applied to the estimated contract profit, and reduced by the proportion of profit previously recognised. Profit is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. During the early stages of a contract, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable; hence no profit is recognised. Claims and variation orders are only included in the determination of contract profit when negotiations have reached an advanced stage such that it is probable they will be approved by contract owners and can be reliably measured. Anticipated losses on contracts are recognised in full as soon as they become foreseen.

Airline revenues
Revenues from passenger and cargo sales are recognised as operating revenues when transportation services are provided. The value of tickets sold but not utilised is classified as advances received.

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3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Rendering of services
Revenue from service contracts is recognized on the percentage of completion method.

Revenue from sale of real estate development projects
Revenue from sale of real estate development projects is recognised when significant risks and rewards of ownership of the real estate passes to the buyer and the amount of revenue can be measured reliably.

Islamic finance income
Income from murabaha and ijarah is recognized on a weighted time apportionment basis.

Rental income
Revenue represents the rental income and the invoiced value of goods and services provided by the Group from the hospitality services.

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

Fee income
Fee earned for the provision of services over a period of time are accrued over that period. These fees include management fees, consultancy fees and promotion fees. Fee income is recognised when specific services are rendered.

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the period in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the period when determining the contribution.

Taxation
Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is provided in accordance with fiscal regulations applicable to each country of operation.

Financial assets and liabilities
Initial recognition and measurement
The Group classifies its financial assets and liabilities within the scope of IAS 39 as "financial assets carried at fair value through profit or loss" "Islamic finance receivables", "accounts receivable", "financial assets available for sale", "held to maturity investments" and "financial liabilities other than at fair value through income statement". The Group determines the classification of financial assets and liabilities at initial recognition.

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchase and sale of financial assets are recognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

All financial assets and liabilities are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

Financial assets and liabilities (continued)
Subsequent measurement (continued)
Financial assets carried at fair value through profit or loss
Financial assets carried at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria
under IAS 39 are satisfied. Dividend income is recorded in the consolidated income statement when right to the payment has been established.

Islamic finance receivables
Islamic finance receivables are financial assets originated by the Group and principally comprise murabaha and ijarah receivables. These are stated at amortized cost, using the effective profit rate method, less impairment losses, if any.

Murabaha 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.

Accounts receivable
Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivable include trade accounts receivable which are stated at original invoice amount less a provision for any uncollectible amount. An estimate for doubtful debts is made when recovery of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Financial assets available for sale
Financial assets available for sale include equity and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category (i.e. sukouk) are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated income statement. Financial assets available for sale 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 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 in rare circumstances. 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 income statement over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Financial liabilities
Financial liabilities comprises of murabaha, istisna's and accounts payable and other liabilities and are measured as financial liabilities other than at fair value through profit and loss.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial liabilities (continued)

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.

Accounts payables and 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 instruments
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; or
- 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; or, 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 the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Fair value measurement applicable after 1 January 2013
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
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities 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

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

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 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement applicable before 1 January 2013
The fair value of financial assets and liabilities traded in recognised financial markets is their quoted market price, based on the current bid price. For all other financial assets or liabilities where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current fair value of another instrument that is substantially the same; recent arm's length market transactions or discounted cash flow analysis or other valuation methods.

Impairment of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset 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 has occurred after the initial recognition of the asset (an incurred 'loss event') 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. Evidence of impairment may include indications that the borrower or a Group of borrowers 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated income statement.

Impairment is determined as follows:

- for assets carried at fair value, impairment is the difference between cost and fair value;
- for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective profit rate and;
- for assets carried at cost, impairment is the difference between actual cost and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

For non-equity financial assets the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. For available for sale equity financial assets, the investment is written down and subsequent increases are reflected as cumulative changes in fair value through other comprehensive income.

In accordance with CBK instructions, a minimum general provision on all finance facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made.

In addition, a provision is made to cover impairment for specific Group of assets where there is a measurable decrease in estimated future cash flows.

Inventories and real estate development projects
Inventories and real estate development projects are stated at the lower of weighted average cost and net realisable value. Costs are those expenses incurred in bringing each product / property to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant periodic rate of profit on the remaining balance of the liability. Finance charges are recognised in the consolidated income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leasehold property is amortised over the period of 19.5 years, less any accumulated impairment. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

Group as lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investment properties
Investment properties are initially measured at cost, including transaction costs. The carrying cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day to day servicing of investment property.

Subsequent to initial recognition, the investment property is carried at fair value that is determined based on valuation performed by independent valuators periodically using valuation methods consistent with the nature and usage of the investment property. Gains or losses from change in the fair value are recognised in the consolidated income statement. However, in case of investment properties whose fair value cannot be reliably measured the same are carried at cost less accumulated impairment, if any. The Group obtains fair valuation of investment properties from two independent, accredited real estate valuators and consider the lower of two valuations as the fair value of the investment properties for recording in the books.

Investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses are recognised in the consolidated income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment properties determined as the difference between net disposal proceeds and the carrying value of the asset is recognised in the consolidated income statement in the period of derecognition.
Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investment in its associates and joint venture are accounted for under the equity method of accounting.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates and joint ventures (continued)

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Losses in excess of the cost of the investment in associates or joint ventures are recognised when the Group has incurred obligations on its behalf. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate or joint venture. Where there has been a change recognised directly in the other comprehensive income of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income.

Distributions received from an associate or joint venture reduce the carrying value of the investment. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate or joint venture is shown on the face of the consolidated income statement. This is the profit attributable to equity holders of the associate or joint venture and therefore is profit after tax and non-controlling interest in the subsidiaries of the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group, using consistent accounting policies.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in the 'share of results of associate and joint venture' in the consolidated income statement.

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

Property and equipment

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

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

• Buildings	12-14 years
• Aircraft and engines	20 years (residual value 27%)
• Furniture and fixtures	2-7 years
• Heavy equipment	4-10 years

Depreciation on separately identified significant components of aircraft is computed based on actual usage over the life of these components. Major overhaul expenditure is depreciated over the shorter of the period to the next major overhaul or lease term or useful life of the asset concerned.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment and leasehold property. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited under revaluation reserve in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated income statement, in which case the increase is recognised in the consolidated income statement. A revaluation deficit is recognised in the consolidated income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made fr the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the original cost of the assets. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities, down to the level of profit, even when the group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated income statement.

Impairment of non-financial assets

The Group conducts internal reviews annually or more frequently if events or changes in circumstances indicate that, the intangible assets and property and equipment are impaired. If any indication of impairment exists an estimates of the asset's recoverable amount is calculated. An asset's recoverable amount is determined as the higher of an asset's cash-generating units fair value less costs to sell or 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.

If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and an impairment loss is charged to the consolidated income statement and the asset is written down to its recoverable amount. Impairment losses of continuing operations are recognised in consolidated income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 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 recognised in the consolidated income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amounts.

Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group 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 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 stock dividend increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

Transactions and balances
Transactions in foreign currencies are initially recorded by Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in the consolidated statement of comprehensive income, foreign exchange differences are recognised directly in the consolidated statement of comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated income statement are recognised in the consolidated income statement.

Group companies
The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their income statement is translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees' end of service benefits
The Group provides employees' end of service benefits to its non-Kuwaiti employees in accordance with Labour Law applicable to each country of operation. The expected costs of these benefits are accrued over the period of employment.

With respect to its Kuwaiti employees, the Group makes contributions to Public Institutions for Social Security as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Fiduciary assets
Assets held in trust or fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated financial statements.

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

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

Significant accounting judgments, estimates and assumptions
The preparation of the 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 the future periods.
The most significant use of judgements and estimates are as follows:

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

Classification of real estate and leasehold property
Management decides on acquisition of real estate whether it should be classified as trading, property held for development, leasehold property or investment property.

The management classifies real estate as trading property if it is acquired principally for sale in the ordinary course of business.

The management classifies real estate as property under development if it is acquired with the intention of development.

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

Fair values of assets and liabilities including intangible assets
Considerable judgement by management is required in the estimation of the fair value of the assets including intangible assets with definite and indefinite useful life, liabilities and contingent liabilities acquired as a result of business combination.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Fair value measurement of financial instruments
Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

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

Impairment of leasehold property
The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment of financial assets available for sale
For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

Impairment losses on Islamic finance receivables
The Group reviews its problem Islamic finance receivables on a periodic basis to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

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

Useful lives of property and equipment
Management assigns useful lives and residual values to property and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Estimated cost and profit on uncompleted contracts
Revenue from installation contracts is measured by reference to the percentage of costs incurred to the estimated total costs for each contract applied to the estimated contract revenue, and reduced by the proportion of revenue previously recognised. This requires the management to use judgement in the estimation of the total cost expected to complete each contract. Profit on uncompleted contracts is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. This requires the Group's management to determine the level at which reasonable estimates can be reached.

4 BUSINESS COMBINATION AND ACQUSITION OF NON-CONTROLLING INTERESTS

Business combination in 2013:
During the current year, a subsidiary of the Group, Mena Touristic & Real Estate Investment Company S.A.E' ("Mena") acquired 73.5% equity interest in Nabq Sharm World Tourism Development S.A.E ("Nabq"), incorporated in Egypt with the objective of development of real estate projects. The acquisition was made at a purchase consideration of EGP 15,000,000 (equivalent to KD 651,991) and the fair value of net assets acquired (from an accredited valuator) was EGP 21,596,138 (equivalent to KD 938,699). As the fair value of the net assets acquired exceeds the consideration paid, the Group has recognized a bargain purchase gain of KD 286,708 in the consolidated income statement for the year ended 31 December 2013.

Business combination in 2012:
On 27 December 2012, one of the associates of the Group, namely Sokouk Holding Company K.S.C. (Closed) ("Sokouk"), a shareholding company incorporated in the State of Kuwait and listed on KSE, purchased its own shares ("treasury shares") from the KSE. As a result, the Group's effective equity interest in Sokouk has increased from 48.88% to 50.17%. Since this transaction meets the criteria of IFRS 3 – Business Combination for the business combination achieved in stages without the transfer of consideration, the Group has reclassified its investment in Sokouk from investment in associate to investment in subsidiary and consolidated Sokouk and its subsidiaries from the effective date of control. The main objective of Sokouk is to own, sell and purchase real estate, and to manage properties on behalf of other parties.

As a result of Sokouk becoming the subsidiary of the Group, the following entities also became subsidiaries of the Group and have been consolidated from the effective date of control:

	Previously held equity interest by the Group	*Additional interest through Sokouk*	*Additional interest through Munshaat*	*Group's equity interest after business combination*
Munshaat Real Estate Projects Company K.S.C (Closed) ("Munshaat")	25.24%	27.67%	-	**52.91%**
Qitaf Joint Venture ("Qitaf")	44.91%	36.43%	9.13%	**90.47%**
Athman Gulf for General Trading and Contracting W.L.L ("Athman Gulf")	53.16%	-	32.59%	**85.75%**

Munshaat is incorporated in the State of Kuwait and listed on Kuwait Stock Exchange. The main objectives of Munshaat are to own, sell and purchase real estate, and to manage properties on behalf of other parties.

Qitaf is incorporated in the State of Kuwait and is established to facilitate the acquisition of real estate assets as well as indirect real estate investment in the form of shares in real estate project companies in the GCC countries.

Athman Gulf is incorporated in the State of Kuwait and is engaged in construction and general trading activities.

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4 BUSINESS COMBINATION AND ACQUSITION OF NON-CONTROLLING INTERESTS

Business combination in 2012:

The business combinations of Sokouk, Munshaat, Qitaf and Athman Gulf (together referred to as "acquiree companies") were achieved in stages. Accordingly, the Group recognized a net gain of KD 56,657,708 mainly representing the net of loss on remeasurement of previously held equity interests at the acquisition date fair value of KD 8,408,356, gain on bargain purchase of KD 22,368,504 and gain on effective settlement of pre-existing relationship between the Group and acquiree companies as part of business combination, (i.e. KD 22,517,617 due to the settlement of receivables between Group and Munshaat and KD 20,907,429 due to the settlement of receivables between Sokouk and Munshaat), in the consolidated income statement.

The acquisitions were accounted based on the provisional fair values assigned to the identifiable assets and liabilities of the acquiree companies as on 31 December 2012. However, during the year the management of the Parent Company has assessed and confirmed the final fair values of the identifiable assets and liabilities of the acquiree companies and observed no difference between the provisional fair values and the final fair values.

The final fair values of assets acquired and liabilities assumed, at the acquisition date, as well as the non-controlling interest at the fair value of the acquiree companies identifiable net assets, are summarised as follows:

	Sokouk KD	*Munshaat KD*	*Qitaf KD*	*Athman Gulf KD*	*Total KD*
Assets					
Cash and cash equivalents	1,539,866	17,428,007	36,960	710,718	19,715,551
Accounts receivable and other assets	30,183,034	24,092,036	139,270	-	54,414,340
Financial assets carried at fair value through profit or loss	-	433,425	-	-	433,425
Financial assets available for sale	8,275,159	7,014,114	-	-	15,289,273
Investment properties (Note 15)	28,436,594	38,174,020	-	-	66,610,614
Investment in associates	12,241,171	7,009,123	-	12,289,216	31,539,510
Leasehold property	-	118,658,000	12,262,987	-	130,920,987
Property and equipment	-	1,009,635	-	-	1,009,635
Non current assets held for sale	1,711,733	-	-	-	1,711,733
	82,387,557	**213,818,360**	**12,439,217**	**12,999,934**	**321,645,068**
Liabilities					
Islamic finance payables	21,223,547	76,879,090	-	-	98,102,637
Accounts payable and other liabilities	3,267,130	95,202,056	1,675,364	1,000	100,145,550
	24,490,677	**172,081,146**	**1,675,364**	**1,000**	**198,248,187**
Net assets acquired	**57,896,880**	**41,737,214**	**10,763,853**	**12,998,934**	**123,396,881**
Non-controlling interests in the acquiree at fair value	23,365,438	13,958,679	1,025,795	1,760,935	40,110,847
Fair value of acquirer's previously held equity interest in acquiree	28,604,835	11,336,638	9,738,058	11,237,999	60,917,530
Gain on bargain purchase	5,926,607	16,441,897	-	-	22,368,504
Loss on remeasurement of previously held equity interest	(4,149,146)	(4,259,210)	-	-	(8,408,356)
Loss in other comprehensive income (OCI) transferred to the consolidated income statement on derecognition	(399,284)	(328,202)	-	-	(727,486)
Gain on settlement of pre-existing transactions between the Group and acquiree companies	-	43,425,046	-	-	43,425,046
Net gain on business combination	**1,378,177**	**55,279,531**	-	-	**56,657,708**

5 OPERATING REVENUES AND COSTS

	2013 KD	*(Restated) 2012 KD*
Operating Revenues		
Hotel revenue	**23,648,992**	-
Airline revenue	**425,759**	1,203,203
Revenue on sale of real estate development projects	**16,438,966**	2,332,426
	40,513,717	3,535,629
Operating Costs		
Hotel operating cost *	**19,011,532**	-
Airline cost	**194,763**	999,872
Cost of sale of real estate development projects	**12,616,690**	2,943,334
	31,822,985	3,943,206

* Hotel operating cost includes amortisation of leasehold property amounting to KD 7,744,727 (2012: KD Nil) (Note 12).

6 NET (WRITE BACK OF) CHARGE FOR IMPAIRMENT LOSSES

	2013 KD	*(Restated) 2012 KD*
Impairment of (write back of impairment) islamic finance receivables (Note 10)	**289,724**	(2,533,789)
Net write back of provision on real estate development projects (Note 11)	**(4,063,000)**	-
Impairment of accounts receivable and other assets *	**5,683,763**	7,068,308
Impairment of financial assets available for sale (Note 14)	**1,928,605**	6,839,233
Impairment of investment in associates and joint venture (Note 16)	**1,141,713**	701,250
Write back of impairment of property and equipment	**(432,141)**	-
Provision no longer required (Note 18)	**(6,780,720)**	-
	(2,232,056)	12,075,002

* Includes an impairment loss of KD 6,389,184, an amount due from other related parties and a reversal of provision amounting to KD 2,549,982 on obtaining equity interest in an associate [Note 16 (c)] in lieu of amount paid in advance that were fully provided for in prior years.

7 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

(a) Year ended 31 December 2013

i) Discontinued operations

- On 31 December 2013, the Group disposed 35% of its equity interest in Aref Euro Real Estate S.A.S ("Aref Euro"), a Company incorporated in France for a sale consideration of one Euro. Pursuant to sale, the Group's equity ownership has decreased to 50% and has concluded that it has lost control over Aref Euro .As per requirement of IFRS 5, the Group has deconsolidated the assets and liabilities relating to Aref Euro amounting to KD 20,739,922 and KD 23,326,237 respectively and has recognised a gain of KD 1,292,328 on derecognition (see below). Further, the Group has fair valued its residual equity interest in an investment in joint venture in accordance with IAS 28 Investment in associates and joint ventures.

- During the year, one of the subsidiaries of the Group, namely Mena, sold its full equity interest in Mena for Future House Holding ("Mena Future") for a sale consideration of EGP 10,080,687 (equivalent to KD 438,168) resulting in a gain of KD 657,041 (see below).

ii) Assets held for sale

- On 25 December 2013, Parent Company has entered into a sale agreement with Ultimate Parent Company to settle its instalments due under master murabaha agreement (Note 17). The Parent Company has agreed to sell its investment in associates, namely, investment in Ibdar Bank B.S.C. (Closed) (formerly known as Elaf Bank B.S.C. (Closed)) and Nafais Holding Company K.S.C. (Closed) with the carrying value of KD 26,066,602 and KD 9,472,171 respectively. The legal formalities relating to transfer was not yet completed as at the reporting date and the Parent Company is committed to execute the deal within the time frame stipulated in the agreement with the Ultimate Parent Company subject to regulatory approval. Therefore, the Parent Company has reclassified these associates, namely as assets held for sale in accordance with the requirement of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5") and carried these assets at lower of carrying value and fair value less costs to sell.

  Subsequent to the reporting date, the Parent Company has completed the legal formalities relating to the sale of above associates.

- As at 31 December 2013, the Group has agreed to sell its 100% equity interest in Horizon Aviation General Trading and Contracting Company W.L.L ("Horizon") , a company incorporated in the State of Kuwait. The Group has finalized the negotiation with the buyer to sell Horizon for a consideration of KD 375,000. The disposal is due to be completed in the first half of 2014. As a result, Horizon has been classified as a disposal group held for sale and disclosed as a discontinued operation as per IFRS 5. Consolidated financial statement includes assets and liabilities held for sale relating to Horizon, amounting to KD 1,966,235 and KD 1,012,415 respectively.

(b) Year ended 31 December 2012

i) Discontinued operations

During the prior year, the shareholders of Elaf Bank B.S.C (Closed) ("Elaf") approved the merger of Elaf, Capivest B.S.C (c) ("Capivest") and Capital Management House B.S.C. ("CMH") where Capivest and CMH operations were amalgamated into Elaf. As a consideration for the above amalgamation, Elaf issued 162 million new shares (44% of shares in the merged entity) to the shareholders of Capivest and CMH. As a consequence, the merger has resulted in deemed disposal of Group's equity interest in Elaf, by reducing the effective equity interest of the Group in the merged entity to 33.41%. Accordingly this transaction has been recognised in accordance with the requirement of International Financial Reporting Standard 5: Non-Current Asset Held for Sale and Discontinued Operations ("IFRS 5").

As at 31 December 2012, the Group retained significant influence over Elaf hence, on initial measurement, upon reclassification of investment in Elaf as an associate was, it was fair valued at KD 31,091,361 (Note 16), determined based on arm length transaction and accordingly, the Group has recognised an unrealised gain of KD 163,747 in the consolidated income statement (see below).

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7 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (continued)

ii) Assets held for sale

During 2012, the Group had agreed to sell 100% equity interest in Hay Al-Mal Real Estate Company Limited ("Hay Al- Mal"), a company incorporated in Republic of Sudan for a sale consideration of KD 5,608,050 and recorded this as disposal group held for sale as per IFRS 5. This receivable is recorded in 'other receivable' under 'accounts receivable and other assets' (Note 13). Further, during the current year, the Group has received an amount of KD 514,439 as part of proceeds of the sale consideration and has transferred the legal ownership of Hay Al Mal to the buyer and has reclassified the remaining amount as a receivables. However, considering the overall economic and political situation in the Republic of Sudan, the Group has recorded a provision amounting to KD 1,763,000 in the consolidated income statement (Note 6).

The results of discontinued operations and assets held for sale are presented below:

2013	*Aref Euro* KD	*Horizon* KD	*Others* KD	*Total* KD
Income	724,361	988,726	-	1,713,087
Expenses	(768,740)	(880,449)	-	(1,649,189)
Gain on disposal of discontinued operations	1,292,328	-	657,041	1,949,369
Profit for the year from discontinued operations and assets held for sale	**1,247,949**	**108,277**	**657,041**	**2,013,267**

2012	*Elaf* KD	*Hay Al- Mal* KD	*Aref Euro* KD	*Horizon* KD	*Others* KD	*Total* KD
Income	3,349,984	-	(726,931)	972,513	-	3,595,566
Expenses	(6,834,582)	-	(1,320,990)	(868,631)	-	(9,024,203)
Impairment losses	-	(1,546,840)	-	-	-	(1,546,840)
Gain on disposal of discontinued operations	163,747	-	-	-	(457,495)	(293,748)
(Loss) profit for the year from discontinued operations and assets held for sale	(3,320,851)	(1,546,840)	(2,047,921)	103,882	(457,495)	(7,269,225)

	2013 Fils	*2012* Fils
Earnings (loss) per share from discontinued operation:		
Basic and diluted – attributable to equity holders of the Parent Company	**6**	(20)

The net cash flows incurred by the discontinued operation and assets held for sale are as follows:

	2013 KD	*2012* KD
Operating activities	**1,268,278**	(368,468)
Investing activities	**-**	662,487
Financing activities	**(1,537,205)**	2,671,482
Net cash (outflow) inflow	**(268,927)**	2,965,501

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8 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the equity holders' of the Parent Company by the weighted average number of shares outstanding less treasury shares during the year as follows:

	2013	*(Restated)* 2012
	KD	*KD*
Profit for the year attributable to the equity holders of the Parent Company	**3,055,586**	19,153,703
	Shares	Shares
Weighted average number of ordinary shares for basic and diluted earnings per share (excluding treasury shares)	**228,641,575**	228,641,575
Basic and diluted earnings per share	**13 fils**	84 fils

	2013	*(Restated)* 2012
	KD	*KD*
Basic and diluted earnings per share from continuing operations		
Profit for the year attributable to the equity holders of the Parent Company (KD)	**3,055,586**	19,153,703
Profit (loss) for the year from discontinued operations attributable to the equity holders of the Parent Company (KD)	**1,469,892**	(4,728,229)
Profit for the year attributable to the equity holders of the Parent Company from continuing operations (KD)	**1,585,694**	23,881,932
Weighted average number of ordinary shares for basic and diluted earnings per share (excluding treasury shares)	**228,641,575**	228,641,575
Basic and diluted earnings per share from continuing operations	**7 fils**	104 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

9 CASH AND CASH EQUIVALENTS

	2013	2012
	KD	*KD*
Cash and bank balances	**36,036,077**	28,650,164
Placements with financial institutions	**-**	14,620,786
Balances in escrow and other restricted accounts	**-**	503,022
Cash and bank balances	**36,036,077**	43,773,972
Less: balances in escrow and other restricted accounts	**-**	(503,022)
Less: placement with financial institutions with original maturity more than 3 month	**-**	(14,620,786)
Cash and cash equivalents in the consolidated cash flow statement	**36,036,077**	28,650,164

Balances in escrow and other restricted accounts represent lien amounts marked by the banks as security against letter of credit and letter of guarantee issued by the banks.

The placement with financial institutions as at 31 December 2012 includes an amount of KD 11,831,330 placed with Ultimate Parent Company. These placements original maturity was more than 3 months and carry average effective profit rate 0.5% - 2%.

10 ISLAMIC FINANCE RECEIVABLES

	2013	*(Restated)* 2012
	KD	*KD*
Gross amount	**35,404,556**	47,907,261
Less: deferred profit	**(3,281,492)**	(3,424,627)
	32,123,064	44,482,634
Less: impairment losses (see below)	**(31,418,000)**	(34,443,085)
	705,064	10,039,549

Islamic finance receivables have fixed profit rates and are in the range as follows:

	2013	2012
	%	*%*
Kuwaiti Dinars	**4.5% - 5%**	6% – 8%
United States Dollars	**-**	5% – 8%

Movement in impairment losses is as follows:

	2013	2012
	KD	*KD*
As at 1 January	**34,443,085**	57,111,401
Charge for (write back during) the year (Note 6)	**289,724**	(2,533,789)
Adjustment arising due to business combination (Note 4)	**-**	(20,134,527)
Write off during the year	**(3,314,809)**	-
As at 31 December	**31,418,000**	34,443,085

The analysis of provisions set out above is based on the requirements of the CBK. According to the CBK instructions, a minimum general provision of 1% (2012: 1%) for cash facilities and 0.5% (2012: 0.5%) for non-cash facilities has been made on all applicable credit facilities (net of certain categories of collateral), that are not provided for specifically.

11 REAL ESTATE DEVELOPMENT PROJECTS

The real estate development projects include a provision of KD 172,823 (2012: KD 4,235,823) on real estate projects of the Group's subsidiaries, based on the best estimate of the management, after considering the economic and political situation in the respective locations.

12 LEASEHOLD PROPERTY

	2013 KD	2012 KD
Cost		
As at 1 January	**130,920,987**	-
Revaluation reserve	**19,350,527**	-
Amortisation for the year	**(7,744,727)**	-
Foreign currency translation adjustment	**303,639**	-
Arising on business combination (Note 4)	-	130,920,987
As at 31 December	**142,830,426**	130,920,987
Accumulated amortisation		
Charge for the year (Note 5)	**7,744,727**	-
As at 31 December	**7,744,727**	-

As at 31 December 2012, leasehold property with a carrying value of KD 16,807,508 was mortgaged against a murabaha payable (Note 17).

The fair value of leasehold property has been determined based on the valuation obtained from independent, registered real estate valuators in the location of the leasehold property. The fair value is determined on the existing use basis by using a valuation technique.

Fair value hierarchy
The fair value measurement of leasehold property has been categorised as level 3 fair value based on inputs to the valuation technique used. The following primary inputs have been used.

	2013	2012
Long term growth rate in room rent	**5%**	5%
Long term vacancy rate	**19.5%**	18%
Inflation rate	**3.5%**	3.5%

Sensitivity analysis
The table below presents the sensitivity of the valuation to changes by 5% in the most significant assumptions underlying the valuation of the leasehold property.

	Changes in the valuation assumption	Impact on other comprehensive income for the year	
		2013 KD	2012 KD
Leasehold property	+/-5%	**7,141,521**	6,546,049

13 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2013 KD	(Restated) 2012 KD
Trade receivables	**7,813,498**	6,474,408
Amount due from related parties (Note 22) (a)	**20,755,346**	29,423,361
Other receivables (b)	**2,683,017**	6,108,307
Advance for the purchase on Sokouk utilization rights (Note 15)	**5,141,400**	5,641,400
Receivable against sale of investments (c)	**14,360,876**	2,382,802
	50,754,137	50,030,278

(a) Amount due from related parties includes KD 14,716,275 (2012:KD 20,855,935) which is arising on consolidation of Munshaat and mainly represents amount paid by Munshaat on behalf of the related party for construction of a project in the Kingdom of Saudi Arabia.

(b) During the year, the management has written back an amount of KD 2,549,982 on account of acquisition of an associate (Note 16).

(c) Includes receivable against sale of financial assets available for sale, investment in a subsidiary and an associates and investment properties, out of which KD 11,030,265 have been subsequently collected by the Group.

14 FINANCIAL ASSETS AVAILABLE FOR SALE

	2013 KD	(Restated) 2012 KD
Quoted equity securities	**1,189,346**	1,599,240
Unquoted equity securities	**20,403,592**	17,418,932
Managed funds (unquoted)	**6,012,939**	6,578,606
	27,605,877	25,596,778

As at 31 December 2013, financial assets available for sale (unquoted equities and managed funds) amounting to KD 5,376,999 (2012: KD 5,780,625) were carried at cost as the nature of these investments is such that a reasonable estimate of fair value can only be determined when the individual investments are realised or disposed of. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments. Based on the latest available financial information, management is of the view that no additional impairment provision is required as at 31 December 2013 in respect of these investments other than the impairment loss of KD 1,928,605 (2012: KD 6,839,233) (Note 6) recorded in the consolidated income statement.

Income from financial assets available for sale includes KD 4,749,287 (2012: KD Nil) that represents amount received from the sale of Group's investment in Sudan Airways, that was classified as financial assets available for sale and fully impaired in earlier years.

15 INVESTMENT PROPERTIES

	2013 KD	(Restated) 2012 KD
As at 1 January	**92,057,658**	55,442,481
Additions	**4,796,062**	-
Transfer from real estate development project	**-**	2,081,724
Arising from business combination (Note 4)	**-**	66,610,614
Transferred to accounts receivable and other assets (Note 13)	**-**	(5,641,400)
Transferred to property and equipment	**-**	(22,608,619)
Disposal on loss of control over a subsidiary (Note 7)	**(17,882,288)**	(4,406,826)
Disposal	**(8,461,145)**	(967,616)
Change in fair values	**2,144,596**	2,013,449
Change in fair values relating to discontinued operation	**-**	(1,529,696)
Foreign exchange adjustment	**(214,385)**	1,063,547
As at 31 December	**72,440,498**	92,057,658

Investment properties include a property under development amounting to KD 21,957,934 (2012: KD 21,444,440) which is measured at cost as the fair value cannot be reliably determined until such time the development is complete. However, based on the information available, the management of the Parent Company believes that there are no indicators of impairment of carrying amount of this investment property.

The fair values for the current year relates to properties located in the Kingdom of Saudi Arabia, State of Kuwait and United Kingdom and are based on external valuations by accredited independent valuators using discounted cash flow model. Investment properties held for capital appreciation is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Investment properties with a carrying value of KD 12,711,000 (2012: KD 26,454,288) are mortgaged against certain Islamic finance payables amounting to KD 8,000,598 (2012:KD 25,629,660) (Note 17).

Gain from investment properties in the consolidated income statement includes the following:

	2013 KD	(Restated) 2012 KD
Net rental income	**2,663,001**	507,757
Change in fair values	**2,144,596**	2,013,449
Gain on sale of investment properties	**1,773,021**	-
	6,580,618	2,521,206

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15 INVESTMENT PROPERTIES (continued)

Quantitative disclosures of fair value measurement hierarchy for investment properties as at 31 December 2013 is as follows:

	Total KD	Level 2 KD	Level 3 KD
Investment properties			
Land in Lebanon	**27,149,630**	27,149,630	-
Land in Kuwait	**10,550,000**	10,550,000	-
Residential building in Kuwait	**2,161,000**	-	2,161,000
Building in United Kingdom	**2,537,465**	-	2,537,465
Commercial building in Kingdom of Saudi Arabia	**8,084,469**	-	8,084,469

Description of valuation techniques used and key inputs to valuation of investment properties

Type of property	Valuation technique	Significant unobservable inputs	Range (weighted average) 2013	2012
Land in Lebanon	Market Comparison	Price per square meter	**$ 860- $910**	$ 850- $900
Property in United Kingdom	Market comparison	Price per square meter	**GBP 103 - GBP 255**	GBP 103 - GBP 255
Land in Kuwait	Market Comparison	Price per square meter	**KD 3750 -KD 4250**	KD 3000 -KD 3500
Property in Kingdom of Saudi Arabia	Discounted Cash flow Method (DCF)	Estimated Average room Rate (SAR)	**SAR 910**	SAR 870
		Long Term RevPAr Growth	**5.30%**	5.30%
		Occupancy rate	**72% - 78%**	73% - 78%
		Discount Rate	**14%**	14%
		Inflation rate	**3.50%**	3.50%
		Growth Operating Profit	**76% - 79%**	76% - 79%
Residential building in Kuwait	Yield method	Estimated Market price For land (Per SQM)	**KD 1750**	-
	Market comparison	Construction Cost (SQM)	**KD 149**	-
	Cost Approach	Average monthly rent (SQM)	**KD 4**	-
		Yield Rate	**6.58%**	-
		Occupancy rate	**100.00%**	-
Properties in France	Term & Reversion Capitalisation Method	Reversionary rate	**-**	6.5%

*RevPAR = revenue per available room.

Under market comparison approach, fair value is estimated based on comparable transactions. The market comparison approach is based upon the principal of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (‘sqm’).

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15 INVESTMENT PROPERTIES (continued)

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value, if any. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, if any, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by:

- A directionally similar change in the rent growth per annum and discount rate (and exit yield)
- An opposite change in the long term vacancy rate.

16 INVESTMENT IN ASSOCIATES AND JOINT VENTURE

	2013	*(Restated) 2012*
	KD	*KD*
Opening balance	**87,041,373**	95,762,781
Additions	**5,912,789**	-
Arising on acquisition of a subsidiary	**-**	7,334,312
Reclassified to investment in subsidiaries on business combination (Note 4)	**-**	(43,022,745)
Reclassified from investment in subsidiary on deemed disposal [Note 7(b)(i)]	**-**	31,091,361
Disposals / capital redemption *	**(39,067,187)**	(5,100,416)
Reclassified the equity interest retained as financial assets available for sale upon transferring an associate to assets held for sale	**(4,462,021)**	-
Share of results of associates	**3,074,820**	8,853,803
Dividends received	**(2,224,236)**	(740,383)
Foreign currency translation adjustment	**(2,802,338)**	(6,505,914)
Impairment losses (Note 6)	**(1,141,713)**	(701,250)
Cumulative change in fair value recognised directly in other comprehensive income	**3,088**	69,824
	46,334,575	87,041,373

* Disposals includes an amount of KD 35,538,773 (2012: KD 4,834,914) that represents associates relating to assets held for sale (Note 7).

Investment in associates includes quoted associates with a carrying value of KD Nil (2012: KD 8,723,788) having a market value of KD Nil (2012: KD 6,653,096). As at the reporting date, the Group performed an impairment test on its investment in associates and accordingly has recognised an impairment of KD 1,141,713 (2012: KD 701,250) in the consolidated income statement (Note 6).

16 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

The carrying amount of investment in associates includes goodwill of KD 1,483,091 after impairment and foreign currency adjustment (2012: KD 2,233,277).

Details of principal investment in associates and joint ventures are as follows:

Name of the companies	*Effective equity interest* 2013	2012
	%	**%**
Financial Institutions `		
United Capital Bank (UCB)	**40.02**	40.02
Halic Financial Kiralama A.S.	**40.00**	40.00
Ibdar Bank B.S.C. (Closed) (Closed) (formerly known as Elaf Bank B.S.C. (Closed)) (Elaf) [Note 7 (a) (ii)]	**33.41**	33.41
Nafais Holding Company K.S.C (Closed) (Nafais) [Note 7 (a) (ii)]	**19.40**	19.40
Mawared United Investment Company K.S.C. (Mawared) (a)	**18.35**	18.35
Real Estate		
Wafra / Aref Re Equity Company Limited (d)	**50.00**	50.00
Wafra/Aref International Value-added real estate Fund II (Wafra II)	**33.33**	33.33
Napa El Hamra for Touristic Development	**50.00**	50.00
Al Neil Al Azraq for Building & Construction	**36.69**	36.69
Al Mehrab Real Estate Company K.S.C. (Closed) (Mehrab)	**42.29**	42.29
DEA Holding Company (DEA) (b)	**-**	68.00
Aref Euro Real Estate S.A.S (Aref Euro) (Note 22) [Note 7 (a) (i)] (d)	**50.00**	-
Logistic		
Maritime Tanker and Shipping Company K.S.C (Closed) (MTSC)	**29.00**	29.00
Gulf Africa Holding Company K.S.C (Closed) (GAH)	**50.00**	50.00
Sudan River Transport Company (SRTC)	**34.13**	34.13
Nile River Transport Company (NRTC) (c)	**50.00**	-
Grand Lake Co. for Fishing (S.A.K.)	**25.00**	25.00
Marmarah for Investment Counselling and Trading Company	**25.00**	25.00
Jiaxing World Education Holding Company Ltd.	**21.30**	21.30
Synergy Corporation Consulting Company K.S.C.C.	**22.42**	22.42
Prolific Systems and Technologies Pvt. Ltd.	**45.00**	45.00
Eastern Networks BVI	**31.24**	31.24
American Higher Education Development Corporation C.I Limited (AHED) (d)	**85.00**	85.00

(a) Though the Group holds less than 20 percent of the equity interest in the investee, the Group exercises the significant influence due to the representation of members in the board of directors of the investee who actively participates in the operating policy and decision making process of the investee with a significant degree.

(b) During the year, the Group has disposed its equity interest in DEA Holding Company for a sale consideration of KD 1,835,873.

(c) During the year, the Group obtained 50% direct equity interest in NRTC, a company incorporated in Republic of Sudan, through a court verdict, against the settlement of amounts due that was fully provided for in prior years. There was no additional consideration paid by the Group to obtain the aforesaid equity interest in NRTC. The Group has recorded its investment in NRTC as an investment in associate at KD 5,912,789, based on the net identifiable assets measured at fair value.

(d) These entities are jointly controlled by the Parent company and the third party. Hence, it is concluded that the Group investment in these entities is a joint arrangement in accordance with IFRS 11 and accounted for as a joint venture using equity method under the guidance of IFRS 11 and IAS 28.

16 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

The following table provides summarised information of the Group's material investment in associates and joint ventures individually and non-significant associates and joint ventures in aggregate:

31 December 2013	*UCB* *KD*	*Mehrab* *KD*	*AHED* *KD*	*Wafra II* *KD*	*Mawared* *KD*	*NRTC* *KD*	*Others* *KD*	*Total* *KD*
Non-current assets	66,293,764	28,213,667	8,137,528	7,531,260	13,781,058	12,076,548	25,196,081	161,229,906
Current assets	16,751,291	2,588,297	2,464,539	13,548	2,477,430	1,177,539	5,902,131	31,374,775
Non-current liabilities	48,091,806	-	705,893	1,181,701	114,066	65,826	5,541,733	55,701,025
Current liabilities	14,553,597	1,427,461	974,089	354,641	209,668	3,600,049	8,223,493	29,342,998
Fair value adjustment *	-	-	-	-	-	2,237,366	-	2,237,366
Equity	20,399,652	29,374,503	8,922,085	6,008,466	15,934,754	11,825,578	17,332,986	109,798,024
Proportion of the Group's ownership	40.02%	42.29%	85.00%	33.33%	18.35%	50.00%	-	-
Group's share in the equity	8,163,941	12,422,477	7,583,772	2,002,622	2,924,027	5,912,789	5,841,857	44,851,485
Goodwill	1,083,704	372,685	-	-	26,702	-	-	1,483,091
Total carrying value	**9,247,645**	**12,795,162**	**7,583,772**	**2,002,622**	**2,950,729**	**5,912,789**	**5,841,857**	**46,334,576**
Contingent liabilities and capital commitments	**23,988,116**	**-**	**-**	**-**	**-**	**-**	**-**	**23,988,116**
Dividends received during the year	**489,584**	**1,486,125**	**-**	**41,100**	**-**	**-**	**207,427**	**2,224,236**
Income	9,288,539	2,893,722	10,513,987	(145,432)	1,053,183	-	9,169,002	32,773,001
Expenses	5,814,644	1,200,735	10,255,509	249,715	788,694	-	7,532,124	25,841,421
Profit (loss) for the year	3,473,895	1,692,987	258,478	(395,147)	264,489	-	1,636,878	6,931,580
Group's share in profit (loss) for the year	**1,390,253**	**715,964**	**219,706**	**(131,703)**	**48,534**	**-**	**832,066**	**3,074,820**

* fair value adjustment represents the difference between the carrying value of assets in the books of NRTC and the value of assets determined by the Group on obtaining equity interest in NRTC [Note 16 (c)].

16 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

31 December 2012	*UCB* *KD*	*Mehrab* *KD*	*AHED* *KD*	*Wafra II* *KD*	*Mawared* *KD*	*Nafais* *KD*	*Elaf* *KD*	*Others* *KD*	*Total* *KD*
Non-current assets	67,624,571	27,978,681	8,386,120	7,789,209	14,981,886	66,501,123	99,335,536	27,942,435	320,539,561
Current assets	26,942,424	4,721,829	2,429,088	21,409	1,429,280	13,298,770	7,827,003	6,207,013	62,876,816
Non-current liabilities	49,853,636		922,903	782,935	82,750	9,419,352	355,928	4,651,618	66,069,122
Current liabilities	21,764,161	1,338,251	1,355,027	523,861	393,662	19,959,575	15,524,021	6,982,778	67,841,336
Equity	22,949,197	31,362,259	8,537,278	6,503,822	15,934,754	50,420,966	91,282,591	22,515,052	249,505,919
Proportion of the Group's ownership	40.02%	42.29%	85.00%	33.33%	18.35%	19.40%	33.41%	-	-
Group's share in the equity	9,184,269	13,263,099	7,256,686	2,167,724	2,924,027	9,780,405	30,501,530	9,730,356	84,808,096
Goodwill	1,244,059	372,685	-	-	26,702	-	589,831	-	2,233,277
Total carrying value	10,428,328	13,635,784	7,256,686	2,167,724	2,950,729	9,780,405	31,091,361	9,730,356	87,041,373
Contingent liabilities and capital commitments	79,248,189	-	-	-	-	-	-	-	79,248,189
Dividends received during the year	567,671	-	-	172,712	-	-	-	-	740,383
Income	11,209,526	3,785,142	-	888,212	988,014	6,163,214	-	7,128,549	30,162,657
Expenses	5,140,486	(234,327)	-	1,966,586	907,703	1,244,064	-	4,244,889	13,269,401
Profit (loss) for the year	6,069,040	4,019,469	-	(1,078,374)	80,311	4,919,150	-	2,883,660	16,893,256
Group's share in profit (loss) for the year	2,428,830	1,699,833	-	(359,422)	14,737	954,192	-	4,115,633	8,853,803

17 ISLAMIC FINANCE PAYABLES

The average profit rate of Islamic finance payables, currency wise, is as follows:

	Profit rate per annum			*(Restated)*
	2013	*2012*	***2013***	*2012*
Currency	***%***	*%*	***KD***	*KD*
Kuwaiti Dinar	4.5% - 7%	4.5% - 7%	**282,113,000**	308,024,386
Euro	-	Euribor +115 points	**-**	19,544,838
Great Britain Pound	-	5%	**-**	4,687,282
United States Dollar	3%	3%	**991,407**	20,347,968
Others	3% - 13.8%	3% - 13.8%	**173,299**	1,456,165
			283,277,706	354,060,639

Islamic finance payables equivalent to KD 8,005,998 (2012: KD 25,629,660) is secured against investment properties amounting to KD 12,711,000 (2012: KD 26,454,288) (Note 15) and KD 18,989,038 (2012: KD 13,436,301) is secured by property and equipment with a carrying value of KD 27,392,747 (2012: KD 20,950,895). Further, as at 31 December 2012 islamic finance payable equivalent to 16,807,508 was secured against leasehold property (Note 12).

Of the total Islamic finance payables, KD 251,182,290 (2012: 249,951,470) represents the outstanding Murabaha payables to syndicate of banks and financial institutions as at 31 December 2013. The key terms of the Murabaha agreement are as follows:

- The facility is secured by a first mortgage on all assets of the Parent Company.
- In case the value of the secured assets falls below 75% of the outstanding facility amount (at any stage) the Parent Company may be required to pledge additional security.
- The valuation exercise shall be carried out once every year.
- The facility shall attract a profit payment at discount rates applicable for Kuwaiti Dinar as fixed by the CBK on the appropriate dates as increased by a pre agreed margin.
- The facility imposes certain conditions in terms of disposal of assets, dividend distribution by the Parent Company and use of the proceeds of its divestments of any of its assets or realisation of its receivables. It also imposes conditions on the Parent Company to disclose information about its operations and financial position periodically.
- Parent Company cannot make any acquisition of, or investment in, any assets or shares other than acquisitions or investments made in the ordinary course of business of the Group provided that the purchaser can meet certain conditions as set forth in the murabaha agreement.
- Parent Company cannot materially change the general nature of business.
- Other than in the ordinary course of business, Parent Company will not provide indemnity, guarantee or counter indemnity to any third party other than within its Group without the prior written consent of the participants.

As at 31 December 2013, the Islamic finance payables instalment amounting to KD 54,200,000 was overdue and the Parent Company was in the process of disposing certain assets to settle these outstanding dues. As on the date of these consolidated financial statements, the Group has transferred the beneficial ownership of these assets to the Ultimate Parent Company and accordingly the sale proceeds have been utilised to settle the instalment due. However, the transfer of legal ownership is currently in progress.

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17 ISLAMIC FINANCE PAYABLES (continued)

During the year, one of the Group's subsidiary signed a settlement agreement with a lender, whose principal and profit payments were defaulted amounting to KD 18,257,918. Pursuant to the settlement agreement the lender has agreed to settle the dues for a reduced amount of KD 9,330,175. Accordingly, the Parent Company has recorded a net gain of KD 8,927,743 from de-recognition of amounts due to the lender in accordance with IAS 39 – Financial Instruments: Recognition and Measurement. The gain represents the difference between the carrying value of amounts due to the lender and the amount finally settled by payment in cash and is included under "Gain from extinguishment of financial liabilities" in the consolidated income statement.

18 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2013	*2012*
	KD	*KD*
Trade payables	**3,808,550**	7,908,108
Staff related provisions	**2,202,816**	1,737,316
Due to related parties (Note 22)	**3,573,469**	2,897,513
Advances received against real estate development project	**9,629,331**	20,668,731
Unearned revenue *	**-**	6,756,000
Payable to contractors for leasehold property and investment properties	**25,844,021**	26,369,805
Due to leasehold property manager	**9,492,809**	7,111,268
Tax liability	**2,964,929**	2,033,910
Other payables	**12,664,902**	17,946,149
	70,180,827	93,428,800

* During the year, on transfer of leasehold property to ZamZam by one of the subsidiaries of the Group to settle its dues certain lenders and creditors, who are major shareholders of the subsidiary (Note 22), the management of the subsidiary has re-assessed the provision made for the maintenance of leasehold property and concluded that this provision is no longer required and accordingly released this amount to the consolidated income statement. (Note 6)

Subsequent to the year end, the Group has signed a settlement agreement with one of the major contractors of leasehold property. As per the settlement agreement, the contractor has agreed to settle the dues for a reduced amount and the impact of which will be quantified and accounted by the Group during the year 2014.

19 SHARE CAPITAL

The authorised, issued and fully paid share capital comprises 228,859,370 shares (2012: 228,859,370 shares) of 100 fils each, paid in cash.

During the year 2012, ordinary and the extraordinary shareholder's General assembly meeting held on 4 December 2012, approved to set off the accumulated losses amounting to KD 233,045,945 as at 31 December 2011, from the following accounts:

-KD 455,751 from voluntary reserve;
-KD 17,056,997 from statutory reserve;
-KD 132,289,986 from share premium;
-KD 83,243,211 from share capital.

The amendment has been registered in the Commercial register under Ref. No. 153/2013 dated 1 April 2013.

20 STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and directors fees has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of 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 accumulated profits are not sufficient for the payment of a dividend of that amount.

21 COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2013, the Group had a maximum commitment on capital expenditures related to financial assets available for sale, real estate development projects, investment in subsidiaries and property and equipment aggregating to KD 3,899,423 (2012: KD 5,579,517) extending beyond one accounting period. The amount of capital commitment may be reduced by participation of other investors.

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22 RELATED PARTY TRANSACTIONS

The Group enters into transactions with the Ultimate Parent Company, associates, major shareholders, directors and key management, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties (other related parties) in the ordinary course of business. The terms of these transactions are approved by the Group's management. Transactions with related parties are as follows:

	Ultimate Parent Company KD	*Associates KD*	*Directors and key management KD*	*Other related parties KD*	***Total 2013 KD***	*Total 2012 KD*
Consolidated statement of financial position						
Cash and bank balances	13,202,832	939,045	-	-	**14,141,877**	17,922,472
Islamic finance receivables	-	-	-	-	-	9,222,814
Accounts receivable and other assets (Note 13)	1,737,289	472,288	-	18,545,769	**20,755,346**	29,423,361
Islamic finance payables	192,116,931	-	-	15,094,315	**207,211,246**	237,209,487
Accounts payable and other liabilities (Note 18)	-	906,803	1,295,747	1,370,919	**3,573,469**	2,897,513
Consolidated income statement						
Islamic finance income	-	-	-	1,115,716	**1,115,716**	121,987
Gain from extinguishment of financial liabilities	29,896	-	-	-	**29,896**	-
Finance costs	7,593,771	-	-	675,000	**8,268,771**	10,834,254
Fee income	-	281,561	-	980,524	**1,262,085**	-
Impairment losses	-	-	-	8,026,194	**8,026,194**	1,567,249

Other related parties balances include an amount of KD 926,698 (2012:KD1,149,214) which is due from previous key management personnel of the Group.

Assets classified held for sale includes assets amounting to KD 35,538,774 (2012: Nil) that are being transferred to Ultimate Parent Company as at reporting date.

Key management personnel compensation

	2013 KD	*2012 KD*
Salaries and short-term employee benefits	**1,924,965**	1,424,137
Termination benefits	**305,474**	219,199
	2,230,439	1,643,336

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22 RELATED PARTY TRANSACTIONS (continued)

As mentioned in Note 2, the Parent Company, Sokouk and the Ultimate Parent Company has entered into a Joint Venture agreement ("ZamZam agreement") along with Munshaat Real Estate Projects Company K.S.C (Closed) ("Munshaat") for full and final settlement of their receivables from Munshaat. As a result, Munshaat transferred its entre interest in ZamZam Tower (classified as leasehold property in the books of Munshaat) to the newly unincorporated Joint Venture "The ZamZam 2013 JV" ("ZamZam").

The ZamZam agreement gave an equity interest of 76.22 % to the Group in ZamZam and accordingly has been consolidated with the Group as at 31 December 2013. This transaction has no impact on the consolidated financial information of the Group as all intra-group transactions and balances have been eliminated upon consolidation of Sokouk, Munshaat and ZamZam except for the share of non-controlling interests in ZamZam amounting to KD 32,544,699 which has been disclosed in the consolidated statement of changes in equity as at 31 December 2013.

The subsidiaries included in the consolidated financial statements are as follows:

	Effective equity interest as at 31 December	
	2013	2012
Directly held		
Real estate		
Aref Real Estate Company K.S.C. (Closed)	**99.99%**	99.99%
Aref Euro Real Estate S.A.S. (incorporated in France) (Note 16) [Note 7 (a) (i)]	**-**	85.00%
Al Hambra Town Faisalabad (Private) Limited (incorporated in Pakistan)	**81.25%**	81.25%
Al Lamar Holding Company K.S.C. (Closed) ("Lamar") *	**49.04%**	49.04%
AREF Real Estate Projects S.A.R.L. (incorporated in Morocco)	**70.80%**	70.80%
Aref Moroccan Value Added Investment Company S.A.R.L (incorporated in Morocco)	**85.40%**	85.40%
Aref Real Estate Projects Co. S.A.R.L (incorporated in Morocco)	**100.00%**	100.00%
Aref Real Estate Company S.A.R.L (incorporated in Morocco)	**100.00%**	100.00%
Aref Real Estate Development Company S.A.R.L (incorporated in Morocco)	**100.00%**	100.00%
Aref Moroccan Real Estate Company S.A.R.L (incorporated in Morocco)	**80.00%**	80.00%
Aref Moroccan Real Estate Development Company S.A.R.L (incorporated in Morocco)	**100.00%**	100.00%
Fera Investment Group (Holding) S.A.L. (incorporated in Lebanon) ("Fera")	**100.00%**	100.00%
Munsha'at Real Estate Projects Co. K.S.C. (Closed) ("Munshaat")	**52.91%**	52.91%
Sokouk Holding Company K.S.C. (Closed) ("Sokouk")	**50.17%**	50.17%
Qitaf Joint Venture ("Qitaf")	**90.47%**	90.47%
ZamZam Joint Venture (see above)	**76.22%**	-
Athman Gulf for General Trading and Contracting Co.	**85.75%**	85.75%
Logistics		
Rubban Holding Company K.S.C. (Closed) ("Rubban")	**99.99%**	99.99%
Others		
Rakayya Holding Company K.S.C. (Closed) ("Rakayya")	**99.99%**	99.99%

22 RELATED PARTY TRANSACTIONS (continued)

	Effective equity interest as at 31 December	
	2013	2012
Held through Lamar		
Mena for Agriculture Projects L.L.C. (incorporated in Egypt)	**95.00%**	95.00%
Mena City Center S.A.E. (incorporated in Egypt)	**98.00%**	98.00%
Mena Resorts S.A.E. (incorporated in Egypt)	**66.66%**	99.80%
Mena for Touristic Development & Investment S.A.E. (incorporated in Egypt)	**99.80%**	99.80%
El Masria Project Management	**64.69%**	64.69%
Mena Touristic & Real Estate Investment Company E.S.C. (incorporated in Egypt)	**50.58%**	50.58%
Asia Human Capital Holding Company Limited (incorporated in Hong Kong)	**100.00%**	100.00%
Asia Vocational Training Company (incorporated in Mauritius)	**100.00%**	100.00%
SOS Company for recruitment of Human Resources W.L.L	**99.99%**	99.99%
Qualitas Consulting and Training Company K.S.C.C	**99.99%**	99.99%
Universal Knowledge Solution – UKS- FZ LLC (incorporated in United Arab Emirates)	**100.00%**	100.00%
Universal Knowledge Solution – SAL- (UKS) (incorporated in Lebanon)	**100.00%**	100.00%
Human Dimensions Company for General Trading and Contracting (incorporated in Kuwait)	**100.00%**	100.00%
Held through Munshaat		
Munshaat for Projects and Contracting Company W.L.L	**100.00%**	100.00%
MAS Holding Company K.S.C. (Closed)	**60.00%**	60.00%
Al Safwa joint venture *	**40.00%**	40.00%
MAS International General Trading and Contracting Company W.L.L.	**98.00%**	98.00%
MAS International Egypt W.L.L.	**100.00%**	100.00%
MAS Al Oula W.L.L.	**99.50%**	99.50%
Held through Sokouk		
Gulf Real Estate Development House Co. K.S.C (Closed)	**75.00%**	75.00%
Sokouk Investment Advisory Co.	**100.00%**	100.00%
Soukouk Real estate Co.- K.S.C (Closed)	**96.52%**	96.52%
Joint Venture Al-Salmiya Project	**99.00%**	99.00%
Held through Rubban		
Aref Marine Tanker Company K.S.C. (Closed)	**99.99%**	99.99%
Horizon Aviation General Trading and Contracting Company W.L.L. [Note 7 (a) (ii)]	**60.00%**	60.00%
Rubban Airways Company Limited (incorporated in Saudi Arabia)	**80.00%**	80.00%
Held through TWC		
Incube General Trading Company W.L.L.	**99.99%**	99.99%
Held through Fera		
Amchit Beach Hotel S.A.L (incorporated in Lebanon)	**100.00%**	100.00%
Amchit Beach Club S.A.L (incorporated in Lebanon)	**100.00%**	100.00%
Amchit Beach Resort S.A.L (incorporated in Lebanon)	**100.00%**	100.00%
Real Estate SPVs		
Gotts Holdings Ltd.	**87.00%**	87.00%
Baker Street Holdings Ltd.	**100.00%**	100.00%
City Height Holding Limited	**100.00%**	100.00%
Emarati Holdings Ltd.	**51.00%**	51.00%
Duncan Tract Holdings Ltd.	**95.00%**	95.00%
Hillard Tract Holdings Ltd.	**96.80%**	96.80%

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22 RELATED PARTY TRANSACTIONS (continued)

All subsidiaries are incorporated in Kuwait except otherwise stated. All the SPV's are incorporated in Island of Guernsey. Each SPV has a wholly owned subsidiary in Guernsey (that is beneficially held by the SPV) in which the real estate asset and related debt are held.

The shares in the SPVs and their subsidiaries are held in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the SPV's. Further, certain subsidiaries of the Group have been consolidated based on contractual rights.

* Control through board representation.

23 MATERIAL PARTLY-OWNED SUBSIDIARIES

The management of the Group has concluded that following subsidiaries (as mentioned in the table below) which have non-controlling interests are material to the Group. Financial information of these subsidiaries as of 31 December 2013 is provided below:

Non-controlling interests to the Group

	Munshaat KD	*Sokouk KD*	*ZamZam KD*	*Lamar KD*
31 December 2013				
Accumulated balances	**23,725,541**	**38,969,315**	**33,717,663**	**(21,596,550)**
Profit attributable	**4,503,243**	**1,939,383**	**1,158,704**	**1,937,408**
31 December 2012				
Accumulated balances	13,958,679	33,784,463	-	(24,351,246)
Profit attributable	-	-	-	(1,884,094)

The summarised financial information is provided below. This information is based on amounts before inter-company eliminations.

Summarised income statement for the year ended 31 December:

31 December 2013	*Munshaat* KD*	*Sokouk* KD*	*ZamZam* KD*	*Lamar KD*
Revenue	**42,590,010**	**8,136,640**	**11,470,122**	**5,213,884**
Expenses	**(12,336,517)**	**10,298,307**	**(11,704,690)**	**(2,753,669)**
Profit for the year	**30,253,493**	**18,434,947**	**(234,568)**	**2,460,215**
Total comprehensive income	**17,138**	**39,129**	**-**	**-**
Attributable to non-controlling interests	**285,087**	**205,778**	**-**	**1,394,131**

23 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

31 December 2012	*Lamar KD*
Revenue	1,691,119
Expenses	(3,388,659)
Loss for the year	(1,697,540)
Total comprehensive income	-
Attributable to non-controlling interests	(1,884,094)

* These subsidiaries were acquired at the end of 31 December 2012, hence no income statement was consolidated to the Group.

Summarised statement of financial position as at 31 December:

31 December 2013	*Munshaat KD*	*Sokouk KD*	*ZamZam KD*	*Lamar KD*
Total assets	**133,226,264**	**105,054,076**	**140,398,760**	**31,169,741**
Total liabilities	**60,933,419**	**30,436,814**	**3,660,690**	**76,832,860**
Total equity	**72,292,845**	**74,617,262**	**136,738,070**	**(45,663,119)**
Attributable to:				
Equity holders of the Parent Company	**67,753,386**	**73,959,299**	**99,020,407**	**(24,066,569)**
Non-controlling interests	**4,539,459**	**657,963**	**37,717,663**	**(21,596,550)**
	72,292,845	**74,617,262**	**136,738,070**	**(45,663,119)**

31 December 2012	*Munshaat KD*	*Sokouk KD*	*Lamar KD*
Total assets	213,818,360	101,637,261	42,109,029
Total liabilities	172,081,146	24,586,647	89,733,497
Total equity	41,737,214	77,050,614	(47,624,468)
Attributable to:			
Equity holders of the Parent Company	27,778,535	43,266,151	(23,273,222)
Non-controlling interests	13,958,679	33,784,463	(24,351,246)
	41,737,214	77,050,614	(47,624,468)

23 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Summarised cash flow information for year ended 31 December:

31 December 2013	*Munshaat KD*	*Sokouk KD*	*Lamar KD*
Operating	**10,180,911**	**12,181**	**4,073,852**
Investing	**801,499**	**(3,945,035)**	**(3,033,782)**
Financing	**(11,497,999)**	**3,493,427**	**(1,228,553)**
Net decrease in cash and cash equivalents	**(515,589)**	**(439,427)**	**(188,483)**

31 December 2012	*Munshaat KD*	*Sokouk KD*	*Lamar KD*
Operating	9,001,938	(302,521)	2,749,724
Investing	31,440	(4,547,148)	(2,296,588)
Financing	(397,475)	5,440,896	(536,421)
Net increase (decrease) in cash and cash equivalents	8,635,903	591,227	(83,285)

24 FAIR VALUE MEASUREMENT

Fair value of financial instruments are not materially different from their carrying values except for certain financial assets available for sale carried at cost (Note 14) less impairment. Fair value disclosure for non-financial instruments are disclosed in the respective notes.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities.

31 December 2013	*Total KD*	*Level 1 KD*	*Level 3 KD*
Assets measured at fair value			
Financial assets at fair value through profit or loss	**3,780,206**	**3,780,206**	-
Financial assets available for sale :			
Quoted securities	**1,189,346**	**1,189,346**	-
Unquoted securities	**18,766,795**	-	**18,766,795**
Managed funds (unquoted)	**2,272,737**	-	**2,272,737**
	26,009,084	**4,969,552**	**21,039,532**

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24 FAIR VALUE MEASUREMENT (continued)

31 December 2012	*Total KD*	*Level 1 KD*	*Level 3 KD*
Assets measured at fair value			
Financial assets at fair value through profit or loss	3,566,341	3,566,341	-
Financial assets available for sale :			
Quoted securities	1,599,240	1,599,240	-
Unquoted securities	15,782,137	-	15,782,137
Managed funds (unquoted)	2,434,776	-	2,434,776
	23,382,494	5,165,581	18,216,913

During the year, there have been no transfers between the fair value hierarchies.

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

The following table shows a reconciliation of the opening and closing amount of level 3 financial instruments which are recorded at fair value.

31 December 2013	***At 1 January 2013 KD***	***Gain /(loss) recorded in the consolidated income statement KD***	***Gain /(loss) recorded in consolidated statement of comprehensive income KD***	***Net purchases, (sales) and settlements KD***	***Movement due to acquisition/ disposal of subsidiaries KD***	***At 31 December 2013 KD***
Financial assets available for sale:						
Unquoted securities	15,782,136	(9,709)	-	(1,467,653)	4,462,021	**18,766,795**
Managed funds (unquoted)	2,434,777	(1,833,192)	24,699	1,646,453	-	**2,272,737**
	18,216,913	**(1,842,901)**	**24,699**	**178,800**	**4,462,021**	**21,039,532**

31 December 2012	*At 1 January 2012 KD*	*Gain /(loss) recorded in the consolidated income statement KD*	*Gain /(loss) recorded in consolidated statement of comprehensive income KD*	*Net purchases, (sales) and settlements KD*	*Movement due to acquisition/ disposal of subsidiaries KD*	*At 31 December 2012 KD*
Financial assets available for sale:						
Unquoted securities	22,810,413	(3,174,917)	(1,604,477)	(53,033)	(2,195,850)	15,782,136
Managed funds (unquoted)	4,436,873	(3,664,316)	(629,163)	-	2,291,383	2,434,777
Sukouk	1,336,805	-	-	-	(1,336,805)	-
	28,584,091	(6,839,233)	(2,233,640)	(53,033)	(1,241,272)	18,216,913

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined based on contractual maturity except for financial assets carried at fair value through income statement, financial assets available for sale, investment properties, other assets, investment in associates and other liabilities which are based on management's estimate of liquidation / settlement of those financial assets / liabilities.

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

31 December 2013	*Up to 3 month KD*	*4 – 12 month KD*	*Over 1 year KD*	*Total KD*
ASSETS				
Cash and bank balances	**36,036,077**	**-**	**-**	**36,036,077**
Islamic finance receivables	**-**	**-**	**705,064**	**705,064**
Inventories		**548,248**	**-**	**548,248**
Real estate development projects	**871,812**	**1,632,789**	**19,107,183**	**21,611,784**
Leasehold property	**-**	**-**	**142,830,426**	**142,830,426**
Accounts receivable and other assets	**11,763,936**	**5,610,881**	**33,379,320**	**50,754,137**
Financial assets at fair value through profit or loss	**-**	**231,400**	**3,548,806**	**3,780,206**
Financial assets available for sale	**9,534,994**	**-**	**18,070,883**	**27,605,877**
Investment properties	**-**	**10,550,000**	**61,890,498**	**72,440,498**
Investment in associates	**-**	**-**	**46,334,575**	**46,334,575**
Property and equipment	**-**	**-**	**33,827,293**	**33,827,293**
Asset classified as held for sale	**37,505,008**	**-**	**-**	**37,505,008**
Total assets	**95,711,827**	**18,573,318**	**359,694,048**	**473,979,193**
LIABILITIES				
Islamic finance payables	**54,193,965**	**81,667,809**	**147,415,932**	**283,277,706**
Accounts payable and other liabilities	**5,236,827**	**41,086,540**	**23,857,460**	**70,180,827**
Liabilities classified as held for sale	**1,012,415**	**-**	**-**	**1,012,415**
Total liabilities	**60,443,207**	**122,754,349**	**171,273,392**	**354,470,948**
Commitments	**1,290,112**	**2,609,311**	**-**	**3,899,423**

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2012	*Up to 3 month KD*	*4 – 12 month KD*	*Over 1 year KD*	*Total KD*
ASSETS				
Cash and bank balances	28,650,288	14,620,662	503,022	43,773,972
Islamic finance receivables	2,081,709	765,753	7,192,087	10,039,549
Inventories	-	1,226,488	-	1,226,488
Real estate development projects	583,202	2,332,807	21,379,536	24,295,545
Leasehold property	-	32,567,317	98,353,670	130,920,987
Accounts receivable and other assets	2,463,427	7,310,431	40,256,420	50,030,278
Financial assets at fair value through profit or loss	-	163,025	3,403,316	3,566,341
Financial assets available for sale	-	9,030,074	16,566,704	25,596,778
Investment properties	-	3,850,000	88,207,658	92,057,658
Investment in associates	-	41,415,824	45,625,549	87,041,373
Property and equipment	-	-	28,265,244	28,265,244
Asset classified as held for sale	-	5,608,050	-	5,608,050
Total assets	33,778,626	118,890,431	349,753,206	502,422,263
LIABILITIES				
Islamic finance payables	3,159,178	87,524,640	263,376,821	354,060,639
Accounts payable and other liabilities	5,844,159	30,134,162	57,450,479	93,428,800
Total liabilities	9,003,337	117,658,802	320,827,300	447,489,439
Commitments	-	4,346,082	1,233,435	5,579,517

26 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.

Each subsidiary of the Group is responsible for managing its own risks and has its own Board Committees, including Audit and Executive Committees in addition to other management Committees such as Credit / Investment Committee and Asset Liability Committee (ALCO), or equivalent, with responsibilities generally analogous to the Group's committees.

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 is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected geographic and industrial sectors. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The Group classifies the risks faced as part of its monitoring and controlling activities into certain categories of risks and accordingly specific responsibilities have been given to various officers for the identification, measurement, control and reporting of these identified categories of risks. The categories of risks are:

A. Risks arising from financial instruments:
i. Credit risk which includes default risk of clients and counterparties
ii. Liquidity risk
iii. Market risk which includes profit rate, foreign exchange and equity price risks
iv. Prepayment risk

B. Other risk - Operational risk which includes risks due to operational failures

Market risk arises as profit rates, foreign exchange rates and equity prices fluctuate affecting the value of a contract. For risk management purposes and to control these activities, the Group has established appropriate procedures and limits approved by the Board of Directors.

26.1 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. Financial assets subject to credit risk consist principally of bank balances, Islamic finance receivables, trade receivables and certain other assets. The Group's bank balances are placed with financial institutions having high credit ratings. Islamic finance receivables are presented net of impairment losses. The Group manages credit risk by setting limits for individual borrowers and Group of borrowers and for geographical and industry segments. The Group also monitors credit exposures and continually assesses the creditworthiness of counterparties.

Gross maximum exposure to credit risk

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. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Group's policy is to grant Islamic finance receivables to customers after assessing their credit worthiness. Customers with high credit worthiness are granted murabaha without any collateral. Collateral is taken from other customers except from Group companies (for which the management does not believe to have any significant credit risk exposure). Short term murabaha and other asset balances are monitored on an ongoing basis with the result that the Group's exposure to credit risk is not significant.

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26 RISK MANAGEMENT (continued)

26.1 CREDIT RISK (continued)

Gross maximum exposure to credit risk (continued)

The table below shows the maximum exposure to credit risk for the financial assets, without taking account of any collateral and other credit enhancements. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements, if any.

	2013 KD	*2012 KD*
Bank balances	**36,034,315**	43,698,331
Islamic finance receivables	**705,064**	10,039,549
Trade receivable and other assets	**50,099,151**	44,146,100
Gross maximum credit risk exposure before credit risk mitigation	**86,838,530**	97,883,980

The exposures set above are based on net carrying amounts as reported in the consolidated statement of financial position.

Collateral and other credit enhancements

While granting Islamic finance, management analyses the financial strength and credit worthiness of the counter parties and where necessary obtains security in the form of quoted shares, unquoted shares and real estate properties. Facilities granted to affiliated companies are unsecured.

Management monitors the market value of collateral and requests additional collateral, if required. The Group has a right to 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 the settlement of the Islamic finance receivables.

The Group obtained equity investments as collateral against certain Islamic finance receivables as at 31 December 2013. However, the valuation of unquoted equity investments was in progress as at the reporting date and has not been completed up to the date of these consolidated financial statements and has not been considered as collateral as at 31 December 2013.

The fair value of quoted equity investments held as collateral by the Group at 31 December 2013 amounts to KD Nil (2012: KD 3,170,638) on Islamic finance receivables carried at KD Nil (2012: KD 11,006,884).

Risk concentration of the maximum exposure to credit risk

Concentration arises 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 credit risk bearing assets before taking into account any collateral held or credit enhancements can be analysed by the geographical regions and industry wise sector as follows:

	2013 KD	*2012 KD*
Geographic region:		
Kuwait	**48,637,873**	59,251,094
Rest of Middle East and North Africa	**26,161,408**	34,444,712
Europe	**6,982,347**	3,998,028
Others	**5,056,902**	190,146
	86,838,530	97,883,980

26 RISK MANAGEMENT (continued)

26.1 CREDIT RISK (continued)

Risk concentration of the maximum exposure to credit risk (continued)

	2013	*2012*
	KD	*KD*
Industry sector:		
Trading and manufacturing	**702,523**	9,222,813
Banks and financial institutions	**37,797,480**	45,435,619
Construction and real estate	**47,609,125**	34,302,056
Other	**729,402**	8,923,492
	86,838,530	97,883,980

Credit risk can also arise due to a significant concentration of Group's assets to any single counterparty. This risk is managed by diversification of the portfolio. The two largest Islamic finance receivables outstanding as a percentage of gross Islamic finance receivables as at 31 December 2013 are 84% (2012: 96%).

Credit quality of financial assets that are neither past due nor impaired
Neither internal credit grading system nor external credit grades are used by the Group.

Analysis of financial assets past due but not impaired
As at 31 December 2013 and 31 December 2012, the Group had no financial assets that were past due but not impaired.

26.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages this risk by active cash flow management and undrawn limits with banks and financial institutions and generation of funds from its operations.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations:

31 December 2013	***Within 3 months KD***	***3 to 12 Months KD***	***1 to 5 years KD***	***Total KD***
Islamic finance payables	**60,283,836**	**83,755,368**	**150,444,647**	**294,483,851**
Accounts payable and other liabilities	**5,225,639**	**41,086,540**	**23,857,460**	**70,169,639**
Liabilities classified as held for sale	**-**	**1,012,415**	**-**	**1,012,415**
TOTAL LIABILITIES	**65,509,475**	**125,854,323**	**174,302,107**	**365,665,905**

31 December 2012	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Islamic finance payables	58,532,398	89,935,003	226,171,537	374,638,938
Account payables and other liabilities	5,844,159	30,134,162	57,450,479	93,428,800
TOTAL LIABILITIES	64,376,557	120,069,165	283,622,016	468,067,738

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26 RISK MANAGEMENT (continued)

26.3 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets 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.

26.3.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates of Islamic financial instruments will affect future profitability of the Group. Profit rate risk is managed by the treasury department of the Parent Company. The Group is exposed to profit rate risk as a result of mismatches of profit rate repricing of assets and liabilities on floating rate Islamic financial assets and Islamic financial liabilities .that could have a material impact on the Group's profit before taxes.

The following table demonstrates the sensitivity of the consolidated income statement to a reasonably possible change in profit rates, with all other variables held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in profit rates on the Group's consolidated profit for one year, based on the profit bearing financial assets and financial liabilities held at 31 December

Based on the Group's financial assets and liabilities held at the year end, an assumed 25 basis points increase in profit rate, with all other variables held constant, would impact the Group's profit before taxation as follows:

Currency	***Increase of 25 basis points*** *Effect on the profit before taxation*	
	2013 KD	*2012 KD*
KD	**705,283**	744,962
USD	**2,479**	48,862
EURO	**-**	22,087

The decrease in the basis points will have a favourable impact on the profit before taxation. Also, as there are no profits bearing financial assets available for sale, no sensitivity of other comprehensive income has been disclosed.

26.3.2 Currency risk

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.

The management monitors on a regular basis to ensure positions are maintained within established limits.

The effect on result before tax (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

	Increase in currency rate by 5 %			
	Effect on other comprehensive income		***Effect on results before tax***	
	2013 KD	*2012 KD*	***2013 KD***	*2012 KD*
United State Dollar	**1,822,065**	2,705,806	**897,018**	1,701,696
Pound Sterling	**479,293**	418,762	**49,997**	(180,445)
Euro	**246,775**	(58,698)	**2,821**	(41,089)
Moroccan Dinar	**633,860**	653,198	**34,780**	(22,296)
Sudanese Pounds	**416,060**	207,887	**8,292**	14,324

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26 RISK MANAGEMENT (continued)

26.3 MARKET RISK (continued)

26.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio. The Group manages the risk by focusing on the long term holding of equity assets, keeping its exposure at an acceptable level and by continuously monitoring the markets.

The effect on the results of the Group due to a change in the fair value of financial assets carried at fair value through income statement at 31 December 2013) due to a 5% change in regional market indices, with all other variables held constant is KD 189,010 (2012: KD 178,317).

26.4 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 than expected, such as fixed rate mortgages when interest rate fall. The fixed rate assets of the Group are not significant compared to the total assets. Moreover, other market conditions causing prepayment is not significant in the markets in which the Group operates. Therefore, the Group considers the effect of prepayment on Islamic finance income is not material after taking in to account the effect of any prepayment penalties.

26.5 OPERATIONAL RISK

Operational risk is the risk of loss arising from the failures in operational process, people and system that supports operational processes. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk is managed by Risk management. Risk management ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk as part of overall Group risk management.

27 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 end 31 December 2013 and 31 December 2012.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio, which is total debt divided by total equity. The Group includes within total debt, profit bearing murabaha payables and deferred profit (till the date of next renewal) thereon. The Group's policy is to keep the gearing ratio less than 2.5 times of shareholder's equity. However, the Group's gearing ratio as at 31 December 2013 is slightly in excess of the Group's policy due to islamic finance payables. However, as compared to 31 December 2012, the gearing ratio as at 31 December 2013 has reduced significantly mainly due to increase in operational profit for the year, settlement of subsidiaries debt and increase in the value of leasehold property.

	2013	*(Restated)*
		2012
	KD	*KD*
Profit bearing Islamic finance payables	**283,277,706**	354,060,639
Deferred profit thereon	**3,137,387**	4,006,072
Accounts payable and other liabilities	**70,180,827**	93,428,800
Total debt	**356,595,920**	451,495,511
Total equity	**119,508,245**	54,932,824
Gearing ratio	**2.98**	8.22

28 RESTATEMENT OF COMPARATIVE INFORMATION

The comparative consolidated statement of financial position as at 31 December 2012 and the comparative consolidated statement of changes in equity have been restated in accordance with IAS 8: Accounting policies, changes in accounting estimates and errors on account of the following. These restatement did not have any effect on the comparative consolidated income statement, comparative consolidated statement of comprehensive income and comparative consolidated statement of cash flows for the year ended 31 December 2012.

a) Consolidated the Group's 95% equity interest in investment in Duncan Tract Holdings Ltd. (previously classified as 'real estate development projects'). The restatement has resulted in the increase of 'real estate development projects' by KD 947,476, 'accounts receivable and other assets' by KD 20,983, 'Islamic finance payable' by KD 941,161 and 'non-controlling interests' by KD 47,298.

b) The Group has equity accounted it's investment in American Higher Education Development Corporation C.I. Limited (incorporated in Cayman Islands) ("AHED") that was previously consolidated (Note 16) and also DEA Holdings Limited (incorporated in United states of America) ("DEAH") which was previously classified as 'financial assets available for sale'. The restatement resulted in decrease in 'Islamic finance receivables' by KD 12,028,295, decrease in 'accounts receivable and other assets' by KD 247,151, decrease in 'financial assets available for sale' by KD 3,428,727, increase in 'investment in associates and joint ventures' by KD 9,077,637, decrease in 'cumulative changes in fair values' by KD 1,031,994 and decrease in 'retained earnings' by KD 488,459 and decrease in 'non-controlling interests' by 5,106,082.

c) During prior years, the Group has incorrectly classified cost of freehold land and construction cost, net of impairment related to a hotel project in Kuwait as an 'investment property'. The hotel will be operated by the management on completion of construction work. Accordingly, during the current year management has reclassified the hotel project as 'property and equipment' and restated the comparative information as at 31 December 2012 to rectify the effect of an error. The restatement resulted in decrease in 'investment properties' and increase in 'property and equipment' by KD 22,608,619.

d) In prior years, the Group has capitalized certain cost amounting to KD 1,657,724 relating to a hotel project in Kuwait which did not meet the capitalization criteria under International Accounting Standards. The restatement resulted in decrease in 'property and equipment' by KD 1,657,724, decrease in 'retained earnings' by KD 831,681 and decrease in 'non-controlling interests' by KD 826,043.

e) During prior years, management of the Group incorrectly classified advance paid towards purchase of sukouk utilisation rights as sokouk utilisation rights as the sokouk utilisation rights is still under development as at the reporting date and the ownership (risk and rewards) has not been transferred to the Group. The restatement resulted in increase in 'accounts receivable and other assets' and decrease in 'investment properties' by KD 5,641,400.