Al Masar Leasing and Investment Company K.S.C. (Closed) and its Subsidiaries
Kuwait

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2013

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BDO

Tel: +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw

Al Johara Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MASAR LEASING AND INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

We believe that the audit evidence we have obtained, except for the matters described in the Basis for Qualified Opinion paragraph below, is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

We were appointed auditors of the Group for the first time for the year ended 31 December 2013, and consequently did not report on the consolidated financial statements for the year ended 31 December 2012 which were audited by other auditors who expressed a qualified opinion for not auditing the financial statements of one of the Group's subsidiaries. It was not possible for us to satisfy ourselves as to the existence and the valuation of assets and liabilities as at 31 December 2012. Consequently, we were unable to determine whether any adjustment to these figures are necessary to the Group's consolidated financial statements.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph and the effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the existence and valuation of assets and liabilities as at 31 December 2012, 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 (IFRSs) as adopted for use in the State of Kuwait.

Report on other legal and regulatory requirements

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 except for the matters described in the Basis for Qualified Opinion paragraph above, 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 Articles and Memorandum of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, nor of the Parent Company's Articles and Memorandum of Association, as amended, have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Group or its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations, during the year ended 31 December 2013, of the provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority, and its related regulations.

We further report that, during the course of our audit, we have not become aware of any material violations, during the year ended 31 December 2013, of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.

Qais M. Al-Nisf
License No. 38-A
BDO Al Nisf & Partners

Kuwait: 23 March 2014

Al Masar Leasing and Investment Company K.S.C. (Closed) and its subsidiaries
Kuwait

Consolidated statement of financial position
As at 31 December 2013

	Notes	2013 KD	2012 KD
ASSETS			
Bank balances		1,241,371	1,516,736
Islamic financing receivables	5	-	566,958
Trade and other receivables	6	2,688,229	1,824,670
Trading properties	7	3,422,768	4,480,154
Financial assets available for sale	8	126,896	169,700
Investment in associates	9	1,785,696	2,473,605
Investment properties	10	4,824,635	4,401,728
Property and equipment	11	12,391,846	12,162,419
Intangible assets		20,083	27,092
Total assets		26,501,524	27,623,062
LIABILITIES AND EQUITY			
Liabilities			
Islamic financing payables	12	9,469,802	8,076,302
Other liabilities	13	5,159,096	5,651,478
Total liabilities		14,628,898	13,727,780
Equity			
Share capital	14	16,050,000	16,050,000
Statutory reserve	15	740,476	740,476
General reserve	16	740,476	740,476
Other reserve		132,149	132,149
Cumulative changes in fair value		(17)	(17)
Foreign currency translation reserve		2,924	67,523
Accumulated losses		(9,597,560)	(7,637,995)
Equity attributable to equity holders of the Parent Company		8,068,448	10,092,612
Non-controlling interests		3,804,178	3,802,670
Total equity		11,872,626	13,895,282
Total liabilities and equity		26,501,524	27,623,062

Sheikh Hamoud Sabah Al Salem Al-Sabah
Vice Chairman

Ahmad A. Al-Osaimi
Chief Executive Officer

The notes on pages 8 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of income
For the year ended 31 December 2013

	Notes	2013 KD	2012 KD
INCOME			
Islamic financing income		-	15,625
Car lease rental income		4,091,678	4,157,182
Trading income		34,749	188,795
Net investment income	17	181,641	62,696
Placement and management fees		134,428	243,303
Real estate rental income		256,600	181,600
Change in fair value of investment properties	10	(349,684)	(334,228)
Provision no longer required	18	205,320	-
Other income		25,155	31,386
		4,579,887	4,546,359
EXPENSES			
Finance costs		(474,260)	(508,998)
Provision for credit losses	18	-	(207,320)
Staff costs		(683,892)	(717,621)
Depreciation	11	(2,377,332)	(2,157,231)
General and administrative expenses		(1,723,620)	(1,280,686)
Impairment loss on financial assets available for sale	8	-	(250,000)
Impairment loss on trading properties	7	(606,213)	(1,548,059)
Provision for doubtful debts	6	(523,672)	(256,349)
		(6,388,989)	(6,926,264)
Loss for the year		(1,809,102)	(2,379,905)
Attributable to:			
Equity holders of the Parent Company		(1,959,565)	(2,606,838)
Non-controlling interests		150,463	226,933
		(1,809,102)	(2,379,905)
Basic and diluted loss per share (fils)	19	(12.21)	(16.24)

The notes on pages 8 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Notes	2013 KD	2012 KD
Loss for the year		(1,809,102)	(2,379,905)
Other comprehensive income items:			
Items that may be reclassified subsequently to consolidated statement of income:			
Financial assets available for sale:			
Net change in fair value of financial assets available for sale		-	(610,493)
Gain on sale of financial assets available for sale	17	-	202,118
Impairment loss on financial assets available for sale transferred to consolidated statement of income	8	-	250,000
Investment in associates:			
Share of associates' other comprehensive income		-	1,122
Net movement in foreign currency translation reserve		(64,599)	6,861
Other comprehensive loss for the year		(64,599)	(150,392)
Total comprehensive loss for the year		(1,873,701)	(2,530,297)
Attributable to:			
Equity holders of the Parent Company		(2,024,164)	(2,757,230)
Non-controlling interests		150,463	226,933
		(1,873,701)	(2,530,297)

The notes on pages 8 to 41 form an integral part of these consolidated financial statements.

Al Masar Leasing and Investment Company K.S.C. (Closed) and its subsidiaries
Kuwait

Consolidated statement of changes in equity
For the year ended 31 December 2013

	Share capital	Statutory reserve	General reserve	Other reserve	Cumulative changes in fair value	Foreign currency translation reserve	Accumulated losses	Equity attributable to equity holders of the Parent Company	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2012	16,050,000	740,476	740,476	63,263	158,358	59,540	(5,031,157)	12,780,956	3,318,415	16,099,371
(Loss)/profit for the year	-	-	-	-	-	-	(2,606,838)	(2,606,838)	226,933	(2,379,905)
Other comprehensive income items:										
Net change in fair value of financial assets available for sale	-	-	-	-	(610,493)	-	-	(610,493)	-	(610,493)
Gain on sale of financial assets available for sale	-	-	-	-	202,118	-	-	202,118	-	202,118
Impairment loss on financial assets available for sale transferred to consolidated statement of income	-	-	-	-	250,000	-	-	250,000	-	250,000
Share of associates' other comprehensive income	-	-	-	-	-	1,122	-	1,122	-	1,122
Net movement in foreign currency translation reserve	-	-	-	-	-	6,861	-	6,861	-	6,861
Total other comprehensive (loss)/income for the year	-	-	-	-	(158,375)	7,983	(2,606,838)	(2,757,230)	226,933	(2,530,297)
Change in ownership interest in a subsidiary without loss of control	-	-	-	68,886	-	-	-	68,886	382,486	451,372
Dividends paid	-	-	-	-	-	-	-	-	(125,164)	(125,164)
At 31 December 2012	16,050,000	740,476	740,476	132,149	(17)	67,523	(7,637,995)	10,092,612	3,802,670	13,895,282
(Loss)/profit for the year	-	-	-	-	-	-	(1,959,565)	(1,959,565)	150,463	(1,809,102)
Other comprehensive income items:										
Net movement in foreign currency translation reserve	-	-	-	-	-	(64,599)	-	(64,599)	-	(64,599)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(64,599)	(1,959,565)	(2,024,164)	150,463	(1,873,701)
Dividends paid	-	-	-	-	-	-	-	-	(148,955)	(148,955)
At 31 December 2013	16,050,000	740,476	740,476	132,149	(17)	2,924	(9,597,560)	8,068,448	3,804,178	11,872,626

The notes on pages 8 to 41 form an integral part of these consolidated financial statements.

Al Masar Leasing and Investment Company K.S.C. (Closed) and its subsidiaries
Kuwait

Consolidated statement of cash flows

For the year ended 31 December 2013

	Notes	2013 KD	2012 KD
OPERATING ACTIVITIES			
Loss for the year		(1,809,102)	(2,379,905)
Adjustments for:			
Realised loss on financial assets at fair value through profit or loss		-	1,505
Loss on sale of a subsidiary	17	-	610
Share of results of associate	9 & 17	(12,350)	137,307
Loss/(gain) on sale of financial assets available for sale	17	9,482	(202,118)
Gain on sale of investment properties	17	(135,777)	-
Depreciation	11	2,377,332	2,157,231
Amortisation		7,009	-
Impairment loss on trading property	7	606,213	1,548,059
Impairment loss on financial assets available for sale	8	-	250,000
Gain on sale of an associate	9 & 17	(32,211)	-
Change in fair value of investment properties	10	349,684	334,228
(Gain)/loss on sale of property and equipment		(2,859)	1,967
Finance costs		474,260	508,998
Provision for credit losses	18	-	207,320
Reversal of provision for credit losses	18	(205,320)	-
Provision for doubtful debts	6	523,672	256,349
		2,150,033	2,821,551
Changes in working capital:			
Islamic financing receivables		772,278	386,330
Trade and other receivables		(1,387,231)	(645,704)
Other liabilities		934,036	550,658
Cash generated from operating activities		2,469,116	3,112,835
Staff indemnity paid		(11,325)	-
Net cash generated from operating activities		2,457,791	3,112,835
INVESTING ACTIVITIES			
Purchase of property and equipment	11	(7,382,599)	(8,024,592)
Proceeds from sale of property and equipment		4,778,699	6,111,302
Purchase of financial assets available for sale		-	(100,000)
Purchase of intangible assets		-	20,616
Purchase of investment properties	10	(1,025,900)	(246,743)
Proceeds from sale of a subsidiary		-	452,100
Proceeds from sale of financial assets at fair value through profit or loss		-	2,395
Proceeds from decrease of stake in a trading property		-	88,237
Proceeds from sale of investment properties		93,037	-
Proceeds from sale of financial assets available for sale		33,322	520,743
Net cash used in investing activities		(3,503,441)	(1,175,942)
FINANCING ACTIVITIES			
Islamic financing payables		1,294,417	(1,586,633)
Finance costs paid		(375,177)	(347,067)
Dividends paid		(148,955)	(125,164)
Net cash generated from/(used in) financing activities		770,285	(2,058,864)
Net change in bank balances		(275,365)	(121,971)
Change in ownership interest in a subsidiary without loss of control		-	451,372
Bank balances at beginning of the year		1,516,736	1,187,335
Bank balances at end of the year		1,241,371	1,516,736

The notes on pages 8 to 41 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Al Masar Leasing and Investment Company K.S.C. (Closed) ("the Parent Company") is a Kuwaiti Closed Shareholding Company incorporated on 27 November 2005 in accordance with the provisions of Law No. (12) of 1998, licensing the incorporation of leasing companies. The Parent Company is regulated by the Central Bank of Kuwait as an investment company and is subject to the supervision of Capital Market Authority.

Al Masar Leasing and Investment Company K.S.C. (Closed) was listed in Kuwait Stock Exchange on 15 April 2010 and subsequently delisted on 12 February 2012.

The Group comprises of the Parent Company and its subsidiaries together referred to as "the Group". Details of the subsidiaries are set out in note 3.3.

The Group principally operates in Kuwait and engages in investment and leasing activities. All activities of the Group are required to be carried out in compliance with the Noble Islamic Sharee'a, as approved by the Parent Company's Fatwa and Sharee'a Supervisory Board.

The Parent Company's registered head office is at Abdullah Al-Mubarak Street, Murgab, Kuwait City, P.O. Box 4957, 13050 Safat, Kuwait.

The total number of the Parent Company's employees as of 31 December 2013 was 8 employees (2012: 9 employees).

The consolidated financial statements for the year ended on 31 December 2013 were authorised for issue by the Board of Directors' on 23 March 2014 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the Annual General Assembly of shareholders.

The Kuwait Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No. 15 of 1960, as amended. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree).

According to articles 2 and 3 of the Decree, Executive Regulations, which were issued by the Ministry of Commerce and Industry on 26 September 2013 and published in the Official Gazette on 6 October 2013, determine the basis and rules which the Parent Company shall adopt to regularise its affairs with the Companies Law as amended, within a period of one year from date of its issuance in the Official Gazette.

2. ADOPTION OF NEW AND REVISED INTERNATION FINANCIAL REPORTING STANDARDS (IFRSs)

The accounting policies used in the preparation of these consolidated financial statements are consistent with that used in the preparation of the annual consolidated financial statements of the previous year except the application of the new and revised standards during the year:

New standards, interpretations and amendments effective from 1 January 2013

IAS 1 Presentation of Financial Statements
The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendment affects presentation only and has no impact on the Group's consolidated financial position or performance. The Group has made this disclosure in the consolidated statement of comprehensive income.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and of SIC-12 Consolidation – Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of this standard has not resulted in any significant impact on the consolidated financial position or performance of the Group.

IFRS 11 Joint Arrangements
The standard replaces IAS 31 "Interests in Joint Ventures". 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard has no significant effect on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. The adoption of this standard has not resulted in any additional disclosure in the consolidated financial statements of the Group.

As a consequence of the new IFRS 11 and IFRS 12; IAS 28 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 significant impact on the consolidated financial position or performance of the Group.

2. ADOPTION OF NEW AND REVISED INTERNATION FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

New standards, interpretations and amendments effective from 1 January 2013 (continued)

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The Group expects that certain amounts disclosed in the financial statements as a result of application of this standard shall be affected in addition to more extensive disclosures. The adoption of this standard has not resulted in an additional disclosure in the consolidated financial statements of the Group (note 25).

Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities
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. These amendments did not impact the Group's consolidated financial position or performance.

The adoption of the above amendments did not have any significant impact on the consolidated financial position or performance of the Group.

The other amendments to IFRS which are effective for annual account period starting from 1 January 2013 didn't have any material impact on the accounting policies, consolidated financial position or performance of the Group.

New / revised IFRSs in issue but not yet effective and not early adopted by the Group

Disclosures and IAS 32 "Financial Instruments – Presentation"
The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off'. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements.

The amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

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.

2. ADOPTION OF NEW AND REVISED INTERNATION FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

New / revised IFRSs in issue but not yet effective and not early adopted by the Group (continued)

IFRS 9 'Financial instruments' (Revised effective date open until all other outstanding phases of IFRS 9 have been finalised)
The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010 and November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 is the first part of phase 1 of this project. The main phases are:
Phase 1: Classification and Measurement
Phase 2: Impairment Methodology
Phase 3: Hedge Accounting

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. These rates are to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

3.2 Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company and have been prepared under the historical cost convention, except for financial assets available for sale and investment properties that have been measured at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Basis of consolidation

Subsidiaries
The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including special purpose entities) controlled by the Parent Company (its subsidiaries) as at 31 December 2013. Where the Parent Company has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:
- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

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. The consolidated financial statements present the results of the Parent Company and its subsidiaries as if they are formed as a single entity. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Basis of consolidation (continued)

Details of subsidiaries are as follows:

Name of subsidiary	Voting capital held at 31 December 2013 %	Voting capital held at 31 December 2012 %	Country of incorporation	Principal activities
Priority Automobile Company K.S.C. (Closed)*	50.44	50.44	Kuwait	Leasing, trading and renting activity
Home Plus for General Trading Company W.L.L.	99	99	Kuwait	General trading
Al Riyada United Real Estate Company K.S.C. (Closed)	96	96	Kuwait	Real estate trading
Riyada International Company for Administrative Consultancy W.L.L.	99	99	Kuwait	Consultancy services
Marsa Sharjah Real Estate Company W.L.L.	99	99	Kuwait	Real estate trading
Masar Al Watanya Real Estate Company W.L.L.	99	99	Kingdom of Saudi Arabia	Real estate trading
Masar Al Jazeera Real Estate Company W.L.L.	99	99	Kingdom of Saudi Arabia	Real estate trading

* The Parent Company's investment in Priority Automobile Company K.S.C. (Closed) amounting to KD 3,192,374 (2012: KD 3,191,110) is pledged against Islamic financing payables (note 12).

3.4 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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 the consolidated statement of income.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Business combinations (continued)

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of income immediately.

3.5 Financial instruments

Classification, initial recognition and measurement
Financial assets classified in the consolidated financial statements within the scope of IAS 39 are 'available for sale financial assets' and 'loans and receivables'. All financial instruments are initially recognised at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial instrument. Management determines the appropriate classification of each instrument at the time of acquisition.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through statement of profit or loss. Financial assets carried at fair value through statement of profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

A regular way purchase of financial assets is recognised using the 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.

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently remeasured and carried at amortised cost, less any provision for impairment.

Financial liabilities
Financial liabilities are classified as "other than at fair value through statement of income". These are subsequently remeasured at amortised cost using the effective profit rate method. The Group's financial liabilities include 'Islamic financing payables' and 'other liabilities'.

The Group didn't classify any of its financial assets as held to maturity.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial instruments (continued)

Trade and other receivables
Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Bank balances
Bank balances consists of unrestricted current accounts at banks.

Effective profit rate method
The effective profit rate method is a method of calculating the amortised cost of a financial asset and of allocating profit over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Islamic finance receivables
Islamic finance receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, financial assets are measured subsequently at amortised cost using the effective profit rate method, less provision for impairment. Amortised cost is calculated considering any discount or increase on purchase and fees or costs which is an integral part of the effective profit rate method. Amortisation of profit rate and impairment loss are recognised in the consolidated statement of income.

Financial assets available for sale
Financial assets available for sale include equity and debt securities. Equity investments classified as financial assets 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 are those which are intended to be held for an indefinite period of time and which may be sold in response to need for liquidity or in response to changes in the market conditions.

After initial recognition, financial assets available for sale are measured at fair value with unrealised gain or loss recognised in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recycled in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income.

Financial assets available for whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Recognition and de-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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial instruments (continued)

Recognition and de-recognition (continued)

A financial asset (in whole or in part) is derecognised where:
- The contractual rights to receive cash flows from the asset have expired,; or
- The Goup retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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 and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the 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.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where 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 recognition of a new liability and the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of income.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that an asset or a group of assets are 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 debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest 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 arrears or economic conditions that correlate with defaults.

Islamic finance receivables
Islamic finance receivables are subject to the provision of credit risks for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the assets' carrying amount and the recoverable value which is the present value of estimated future cash flows, including the recoverable value of guarantees or mortgage discounted at the contractual interest rate. Impairment losses are recognised in the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial instruments (continued)

Impairment of financial assets (continued)

Islamic finance receivables (continued)
In addition, in accordance with CBK instructions, a minimum general provision of 1% on all cash facilities and 0.5% on non-cash facilities. These rates are to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

Impairment of trade and other receivables
Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade and other receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within general and administrative expenses in the consolidated statement of income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective profit rate and any resulting difference to the carrying value is recognised in the consolidated statement of income.

Financial assets available for sale
In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available for sale previously recognised in the consolidated statement of income, is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

Islamic financing payables
Ijara and murabaha payables are carried at amortised cost.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial instruments (continued)

Murabaha payables
Murabaha payables are initially recognised at the value received from contracts. After initial recognition, murabaha are measured at amortised cost using the effective interest rate method.

The effective cost rate is a method of calculating the amortised cost of a financial asset and of allocating cost over the relevant period. The effective cost rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, when appropriate, a shorter period.

Other liabilities
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective profit rate method.

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

3.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.7 Trading property

Trading properties are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

3.8 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 considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Investment in associates (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. 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 statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. 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 or joint venture. The aggregate of the Group's share of results of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Impairment of an associate and a joint venture' in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the 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 or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of income.

3.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at their cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of income in the period in which they arise.

Investment properties are revalued annually and are included in the consolidated statement of financial position at their open market values. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of income in the period in which they occur.

3.11 Vehicles for lease

Rental vehicles are stated at cost less accumulated depreciation. The Group depreciates rental vehicles on the straight line basis over the lower of their estimated useful lives or the term of the contract entered into with the supplier.

3.12 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of the intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually whenever there is an indication that the intangible asset may be impaired.

If the carrying value of the intangible asset is more than the recoverable amount, the intangible asset is considered impaired and is written down to its recoverable amount. The excess of carrying value over recoverable amount is recognised in the consolidated statement of income.

3.13 Impairment of tangible and intangible assets

At each financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Impairment of tangible and intangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in the consolidate statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.14 Lease contracts

Lease contracts, in which the Group holds a significant portion of risks and awards related to ownership and in which the Group is the lessor, are classified as operating lease contracts. Amounts received under operating lease contracts, less any incentives provided to customers, are recognised as income in the consolidated statement of income on a straight-line basis over the lease contract period.

Where the Group is the lessee - operating lease:
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Where the Group is the lessee - finance lease:
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the asset leased and the present value of minimum lease payments.

3.15 Equity, reserves and dividend payments

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

Statutory and general reserves represents amounts transferred from profits in accordance with Kuwait Companies Law and the Parent Company's Memorandum and Articles of Association, as amended (notes 15 and 16).

Accumulated losses include all current and prior period retained losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the financial position date, and approximates the present value of the final obligation.

3.17 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a 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.

3.18 Revenue recognition

Revenue represents the fair value of the amount received from sale or lease of vehicles by operating lease contracts in the normal course of business. Revenue is recognised on a net basis after subtracting all discounts related to the sales or leases of vehicles.

The Group recognises revenue when the revenue amount can be reliably determined, and the future economic benefits of the revenue is likely to flow to the Group, in addition to the realisation of the criteria applicable to each revenue type and disclosure of all uncertain issues related to the sale or lease transaction. In doing this, the Goup depends on its knowledge of the customer credit worthiness, nature of the transaction, and the specific details of each sale or lease transaction.

Revenue from lease of vehicles is recognised on straight line basis over the operating lease contract less any incentives or discounts offered to the customer.

Revenue from sale of vehicles is recognised on completion of the sale process, which is finalised when all benefits and risks of ownership are transferred to the buyer.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Foreign currency translation

The consolidated financial statements are presented in currency (KD), which is also the functional currency of the Parent Company.

Transactions and balances
Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of income for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Group companies
The assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the statement of financial position date. Income and expense items are translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate.

3.20 Contribution to Kuwait Foundation for the Advancement of Sciences

The contribution to KFAS is calculated at 1% of taxable profit of the Group attributable to the owners of the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

3.21 Zakat

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

Under the Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Fiduciary assets

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

3.23 Contingent liabilities and assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless there is a possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements, but disclosed when an inflow of economic benefit is possible.

3.24 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINITY

Accounting judgements
In the process of applying the Group's accounting policies, management has used judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Impairment of investments
The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

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

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through profit or loss, available for sale or held to maturity investments.

Classification of investments as investment at fair value through profit or loss depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are classified as at fair value through profit or loss. All other investments are classified as available for sale or as held to maturity.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINITY (Continued)

Liabilities from operating leases – the Company as a lessor
The Group enters into vehicle leasing contracts with the clients. Based on its evaluation of the terms and conditions of the contractual arrangements with the clients, the Group decided to maintain all the material risks and benefits of owning these leased vehicles. Therefore, these leases are accounted for as operating leases.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

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

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

Impairment of Islamic finance receivables
The Group reviews its financial assets classified as "Islamic finance receivables" periodically to assess whether a provision for impairment should be recorded in the statement of comprehensive income. 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.

Useful lives of tangible and intangible assets
As described in note 3.10, 3.11 and 3.12, the Group reviews the estimated useful lives over which its tangible assets are depreciated and intangible assets are amortised. The Group's management is satisfied that the estimates of useful lives are appropriate.

Impairment of tangible and intangible assets
The Group's management estimates whether there is an indication to impairment of tangible and intangible assets. The recoverable amount of an asset is determined based on "value in use method". 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINITY (Continued)

Estimation uncertainty (continued)

Provision for impairment of trade and other receivables
Impairment cost reflects estimations of losses resulted from failure or inability of the concerned parties to settle the required amounts. The cost is based on the life of the party's the accounts and credit worthy of the client as well as to the historical write off experience. Any difference between the amounts actually collected in the future period and the amount expected will be recognised in the consolidated statement of income.

Revenue recognition
The Group uses the time proportion method in accounting for services. Using the time proportion method in accounting for the revenues requires the Group to estimate the services provided to the clients to date according to the provisions of the Group activities. The Group takes into consideration retaining provisions necessary for any expected doubtful receivables resulting from these services.

5. ISLAMIC FINANCING RECEIVABLES

	2013	2012
	KD	KD
Gross receivables	1,071,233	1,843,511
Less: deferred income	-	-
	1,071,233	1,843,511
Specific and general provision (note 18)	(1,071,233)	(1,276,553)
	-	566,958

6. TRADE AND OTHER RECEIVABLES

	2013	2012
	KD	KD
Trade receivables	1,356,508	1,197,709
Less: provision for doubtful debts	(237,966)	(237,966)
Trade receivables (net)	1,118,542	959,743
Accrued placement and management fees	80,808	331,695
Due from an associate (note 20)	5,132	-
Other receivables	1,483,747	533,232
	2,688,229	1,824,670

Included in other receivables is a gross amount of KD 1,519,491 (2012: KD 417,500) which is due from a local financial institution under the financial stability law. During the year ended 31 December 2013, a related provision amounting to KD 759,922 (KD 236,250 for the year ended 31 December 2012) has been recorded. The Parent Company expects to collect this balance over a five year period starting June 2013.

6. TRADE AND OTHER RECEIVABLES (Continued)

Movement in allowance for doubtful debts for trade receivables:

	2013	2012
	KD	KD
Balance at beginning of the year	237,966	217,867
Charge for the year	-	20,099
Balance at end of the year	237,966	237,966

Movement in allowance for doubtful debts for other receivables:

	2013	2012
	KD	KD
Balance at beginning of the year	236,250	-
Charge for the year	523,672	236,250
Balance at end of the year	759,922	236,250

7. TRADING PROPERTIES

Trading properties include certain plots of land located in United Arab Emirates which are under development. The management intends to use these properties for trading purposes. During the year the client has booked an impairment of KD 606,213 (KD 1,548,059 for the year ended 31 December 2012) related to these properties based on the valuations obtained from independent valuers, who are an industry specialised in valuing these types of properties.

Fair values of trading properties have been determined based on two valuation reports both of which are from reputable accredited valuers who have valued the properties using the sales comparison approach.

At 31 December 2013, the fair value of trading properties was determined to be KD 3,422,768 (2012: KD 4,480,154) using the lower value of the two valuations.

8. FINANCIAL ASSETS AVALABLE FOR SALE

	2013	2012
	KD	KD
Unquoted equity securities	126,896	126,896
Unquoted real estate portfolios	-	42,804
	126,896	169,700

Financial assets available for sale amounting to KD 126,896 (2012: KD 169,700) are carried at cost less impairment losses if any, as their fair values could not be reliably measured. Management has performed impairment testing of its investments to assess whether impairment has occurred in the value of these investments. Based on this test, management did not note any indication of impairment in the value of these securities as at the reporting date (KD 250,000 for the year ended 31 December 2012).

9. INVESTMENT IN ASSOCIATES

Name of associate	Country of incorporation	Equity interest 2013	Equity interest 2012	Carrying amount 2013	Carrying amount 2012
		%	%	KD	KD
Kuwait Sand for Drilling and Execution Contracting Company W.L.L.	Kuwait	26.00	26.00	-	-
Maritime Tankers and Shipping Company K.S.C. (Closed)	Kuwait	28.52	28.52	608,205	631,183
Marsa Abu Dhabi Real Estate Company P.J.S.C.*	United Arab Emirates	-	12.00	-	700,543
Ahjar Holding Company K.S.C. (Closed)	Kuwait	17.36	17.36	1,177,491	1,141,879
				1,785,696	2,473,605

* During the year, the Group disposed off its interest in Marsa Abu Dhabi Real Estate Company P.J.S.C. for a consideration of KD 667,871 thereby resulting in a gain on disposal of KD 32,211 (note 17) for the year ended 31 December 2013.

Summarised financial information in respect of the Group's investment in its associates is set out below:

	2013	2012
	KD	KD
Share of associate's statement of financial position:		
Assets	1,864,704	3,051,951
Liabilities	(79,008)	(578,346)
Carrying amount of the investment in an associate	1,785,696	2,473,605
Share of associates' revenue and results:		
Revenue	142,021	176,765
Results	12,350	(137,307)

Investment in an associate with a carrying value of KD 1,177,491 (2012: KD 1,141,879 is mortgaged as collateral against murabaha payables (note 12).

10. INVESTMENT PROPERTIES

	2013	2012
	KD	KD
Opening balance	4,401,728	2,660,213
Additions	1,323,466	246,743
Disposals	(550,875)	-
Transfer from property and equipment (note 11)	-	1,829,000
Change in fair value	(349,684)	(334,228)
	4,824,635	4,401,728

Investment properties include freehold pieces of land in Kuwait and GCC countries with fair value of KD 2,378,029 (2012: KD 2,875,985) and leasehold land in the State of Kuwait with a fair value of KD 2,293,900 (2012: KD 1,280,000). This property was acquired by a subsidiary Company under finance lease arrangement; accordingly, the legal title of the property has been retained by the lender (note 12). In addition, certain investment properties with a fair value of KD 1,800,000 (2012: KD 1,896,000) have been mortgaged as collateral against certain Islamic financing payables (note 12).

Local investment properties are valued based on two valuation reports, one from a local bank who has valued the investment property using the market comparison approach and the other is a local reputable accredited valuer who has valued the investment property using the sales comparison approach and the yield approach. Foreign investment properties are also valued based on two valuation reports both of which are from local reputable accredited valuers who have valued the investment properties using the sales comparison approach.

For the valuation purpose, the Group has selected the lower of these two valuations (2012: lower of the two valuations).

The significant assumptions made relating to valuations where the yield approach was used are set out below:

	2013	2012
Estimated market price for the property (KD)	2,293,900	1,280,000
Average rent (KD)	256,600	114,000
Yield rate (%)	11%	9%
Vacancy rate (%)	2%	2%

Sensitivity analysis
The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment property. The effect of decreases in profit is expected to be equal and opposite to the effect of the increases shown.

10. INVESTMENT PROPERTIES (Continued)

	Changes in valuation assumptions	**Impact on profit for the year**	
	%	**2013**	**2012**
		KD	KD
Estimated market prices for properties	+/-5	114,695	64,000
Average rent (KD)	+/-5	12,830	5,700
Yield rate	+/-5	1,411	513
Vacancy rate	+/-5	257	114

PROPERTY AND EQUIPMENT

	Land and building	Furniture and fixtures	Tools and office equipment	Leased equipment	Leased motor vehicles	Total
	KD	KD	KD	KD	KD	KD
Cost						
At 1 January 2012	1,829,000	170,673	66,173	368,000	14,947,845	17,381,691
Additions	-	-	5,529	-	8,019,063	8,024,592
Disposals	-	(7,956)	-	-	(8,633,041)	(8,640,997)
Transfers	(1,829,000)	-	-	-	-	(1,829,000)
At 31December 2012	-	162,717	71,702	368,000	14,333,867	14,936,286
Additions	-	-	2,860	-	7,379,739	7,382,599
Disposal	-	-	-	-	(6,579,826)	(6,579,826)
At 31 December 2013	-	162,717	74,562	368,000	15,133,780	15,739,059
Accumulated depreciation						
At 1 January 2012	-	100,977	64,639	321,541	2,657,207	3,144,364
Charge for the year	-	16,312	2,094	26,550	2,112,275	2,157,231
Relating to disposals	-	(2,635)	-	-	(2,525,093)	(2,527,728)
At 31 December 2012	-	114,654	66,733	348,091	2,244,389	2,773,867
Charge for the year	-	19,646	4,441	19,909	2,333,336	2,377,332
Relating to disposals	-	-	-	-	(1,803,986)	(1,803,986)
At 31 December 2013	-	134,300	71,174	368,000	2,773,739	3,347,213
Carrying amount						
At 31 December 2013	-	28,417	3,388	-	12,360,041	12,391,846
At 31 December 2012	-	48,063	4,969	19,909	12,089,478	12,162,419
Annual depreciation rates		20 % - 33.33%	20 % - 33.33%	20%	20% - 25%	

Contracts for the purchase of vehicles from vendors for lease purposes include terms and conditions granting the Parent Company the right to resell them to the original vendors, at the end of the leasing period and at the contract predetermined price.

12. ISLAMIC FINANCING PAYABLES

	2013		
	Ijara	**Murabaha**	**Total**
	KD	KD	KD
Gross amount	1,427,898	8,205,835	9,633,733
Less: deferred profit	(56,415)	(107,516)	(163,931)
	1,371,483	8,098,319	9,469,802

	2012		
	Ijara	**Murabaha**	**Total**
	KD	KD	KD
Gross amount	818,700	7,520,616	8,339,316
Less: deferred profit	(22,185)	(240,829)	(263,014)
	796,515	7,279,787	8,076,302

The fair value of Islamic financing payables approximates the carrying value as at the reporting date and maturing one year to five years. The effective profit rate payable approximates 6% (2012: 6%) per annum.

Included in Islamic financing payable are contracts amounting to KD 3,125,174 (2012: KD 3,815,411) which has been secured by investments in associate amounting to KD 1,177,491 (2012: KD 1,141,879) (note 9) and investment properties amounting to KD 4,093,900 (2012: KD 3,176,000) (note 10).

13. OTHER LIABILITIES

	2013	**2012**
	KD	KD
Trade payables	880,812	1,338,865
Payable on purchase of property under development	-	296,049
Provision for employees' leave and end of service benefits	245,694	244,177
Amount due to a related party (note 20)	-	1,502,046
Provision on legal claims (note 23)	1,982,000	1,982,000
Legal case accrual	1,100,000	-
Other payables and accrued expenses	950,590	288,341
	5,159,096	5,651,478

During the year, the Parent Company has provided for an amount of KD 1,100,000 with respect to an adverse legal verdict on a legal case with one of its client for an investment made on behalf of this client. Subsequently, the Parent Company has filed an appeal challenging the verdict and the proceedings are still in process.

14. SHARE CAPITAL

	2013	**2012**
	KD	KD
Authorised, issued and fully paid:		
160,500,000 shares of nominal value of 100 fils each	16,050,000	16,050,000

15. STATUTORY RESERVE

In accordance with the Companies Law No 25. of 2012, as amended, and the Parent Company's Articles and Memorandum of Association, as amended, 10% of the profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

16. GENERAL RESERVE

In accordance with the Parent Company's Articles and Memorandum of Association, as amended, 10% of the profit for the year is required to be transferred to the general reserve. There are no restrictions on the distribution of the general reserve.

17. NET INVESTMENT INCOME

	2013 KD	2012 KD
Realised loss on financial assets at fair value through profit or loss	-	(1,505)
Gain on sale of financial assets available for sale	(9,482)	202,118
Gain on sale of investment properties	135,777	-
Gain on sale of associate (note 9)	32,211	-
Real estate income	10,785	-
Share of results of associate (note 9)	12,350	(137,307)
Loss on sale of a subsidiary	-	(610)
	181,641	62,696

18. PROVISION FOR CREDIT LOSSES

	2013		
	Specific KD	**General** KD	**Total** KD
At 1 January	1,264,946	11,607	1,276,553
Reversal during the year	(195,713)	(9,607)	(205,320)
At 31 December	1,069,233	2,000	1,071,233

	2012		
	Specific KD	**General** KD	**Total** KD
At 1 January	1,057,626	11,607	1,069,233
Charge for the year	207,320	-	207,320
At 31 December	1,264,946	11,607	1,276,553

19. BASIC AND DILUTED LOSS PER SHARE

	2013 KD	2012 KD
Loss for the year (KD)	(1,959,565)	(2,606,838)
Number of shares outstanding during the year (shares)	160,500,000	160,500,000
Basic and diluted loss per share (fils)	(12.21)	(16.24)

20. RELATED PARTY TRANSCATIONS

Related parties represent shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Balances with related parties included in the consolidated statement of financial position are as follows:

	2013 KD	2012 KD
Due from an associate (note 6)	5,132	-
Amount due to a related party (note 13)	-	1,502,046

Transactions with related parties included in the consolidated statement of income are as follows:

	2013 KD	2012 KD
Compensation of key management personnel		
Salaries and other short-term benefits	256,598	254,425
Termination benefits	14,619	12,167
	271,217	266,592

21. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- Investment activities: comprises participation in financial and real estate funds and managing the Group's liquidity requirements.
- Real estate investment activities: comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services:
- Islamic financing activities: comprises range of Islamic products to financial institutions and individual customers.

21. SEGMENT REPORTING (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	2013	2012	2013	2012
	KD	KD	KD	KD
	Revenue		Segment results	
Investment activities	316,069	305,999	316,069	305,999
Real estate investment activities	256,600	181,600	256,600	181,600
Islamic financing activities	4,007,218	4,058,760	(658,151)	(1,921,046)
	4,579,887	4,546,359	(85,482)	(1,433,447)
Unallocated expenses			(1,723,620)	(946,458)
Loss for the year			(1,809,102)	(2,379,905)

Segment assets and liabilities

	2013	2012
	KD	KD
Segment assets		
Investment activities	1,912,592	2,643,305
Real estate investment activities	8,247,403	8,881,882
Islamic financing activities	12,411,929	12,756,469
Total segment assets	22,571,924	24,281,656
Unallocated assets	3,929,600	3,341,406
Total	26,501,524	27,623,062

	2013	2012
	KD	KD
Segment liabilities		
Islamic financing activities	9,469,802	8,076,302
Unallocated liabilities	5,159,096	5,651,478
Total	14,628,898	13,727,780

22. FIDUCIARY ASSETS

The aggregate value of the assets held in a trust or a fiduciary capacity by the Group as at 31 December 2013 amounted to KD 59,143,994 (2012: KD 115,642,015).

23. COMMITMENTS AND CONTINGENT LIABILITIES

The Group has commitments in respect of uncalled capital contributions relating to investment in associate amounting to KD nil (2012: KD 3,931,416).

At 31 December 2013, the Group's bankers have given bank guarantees, limited to KD 87,500 (2012: KD 87,500) on behalf of its subsidiary from which it is anticipated that a liability to that extent may arise on account of defaulting by the subsidiary. During the year, the Parent Company has accured a liability of the same amount.

Legal claims

Guarantee of lease contracts

During the year ended 31 December 2007, the Parent Company gave two letters of guarantee amounting to KD 1,640,250 and KD 1,120,625 respectively relating to lease payments by one of its former subsidiaries. The letter of guarantee states that "the guarantor along with the lessee are fully responsible for payment of the contract amount to the lessor and therefore it has right to claim directly from us in all of your movable and immovable properties for the above referred amount on delay in the repayment of all or any of the payments by the lessee on its maturity in any ways it is deemed proper. In addition whatever of commissions of expenses caused due to the delay or claim".

Consequently, the lessor has filed legal claims against the former subsidiary and the Parent Company, stating that the lessee and its guarantor were given warning on 25 October 2009 to pay the outstanding amounts. After the grace period of one week, legal proceedings were started in the court of law against the said parties which are still in process.

The legal consultants of the Parent Company are of the opinion that the case will be in the Parent Company's favour. However, during the year ended 31 December 2011, the management of the Parent Company recorded a provision of KD 1,762,000 (note 17) on account of the above legal claim based on the instruction of the Central Bank of Kuwait.

At 31 December 2013, the court had postponed the hearing of the case to 6 April 2014.

During the year ended 31 December 2007, the Parent Company signed a lease contract as an irrevocable guarantor for one of its associates amounting to KD 220,000 (note 17).

Consequently, the lessor has filed legal claims against the associate and the Parent Company. The court issued a verdict obligating the lessee and the guarantor to pay the outstanding balance. The management of the Parent Company appealed the verdict and the final outcome came in favour of the Parent Company on 3 March 2103. Subsequently, the lessor has filed an appeal against this latest verdict and the proceedings are still going on. The next court sitting for this case is 30 April 2014.

However, during the year ended 31 December 2011, the management of the Parent Company has recorded a provision of KD 220,000 on account of the above legal claim based on the instructions of the Central Bank of Kuwait.

24. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly meeting of shareholders was held on 8 July 2013 and approved the annual consolidated financial statements of the Group for the year ended 31 December 2012.

At the meeting held on 23 March 2014, the Board of Directors' have not proposed any cash dividend for the year ended 31 December 2013.

25. FINANCIAL RISK AND CAPITAL MANAGEMENT

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide best returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of percentage of debt rate, which is calculated by net debt value divided by total invested capital. Net debt is calculated as the total debt less cash at banks, and the total capital invested is calculated as the total equity and net debt.

Gearing ratio

	2013	2012
	KD	KD
Islamic financing payables (note 12)	9,469,802	8,076,302
Bank balances	(1,241,371)	(1,516,736)
Net debt	8,228,431	6,559,566
Equity	11,872,626	13,895,282
Capital invested	20,101,057	20,454,848
Debt to invested capital ratio	40.9%	32.1%

Categories of financial instruments

	2013	2012
	KD	KD
Bank balances	1,241,371	1,516,736
Islamic financing receivables	-	566,958
Trade and other receivables	2,438,967	1,812,213
Islamic financing payables	9,469,802	8,076,302
Other liabilities	5,159,096	5,651,478

Market risk

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, profit rate risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Group generally does not use derivative financial instruments to manage its exposure to these risks.

25. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Market risk (continued)

(i) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency rates. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to currency rate fluctuations arise. The management monitors the positions on a daily basis to ensure positions are maintained within established limits.

The carrying amounts of the Group's major foreign currency denominated financial assets at the consolidated financial position date are as follows:

	2013 KD (equivalent)	2012 KD (equivalent)
UAE Dirhams	4,168,716	5,703,074
Omani Riyal	-	18,061
Others	158	157

The table below indicates the Group's foreign exchange exposure as at 31 December, as a result of its financial assets. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the foreign currencies, with all other variables held constant, on the profit for the year and equity (due to the fair value of currency sensitive financial assets).

	Change in currency rate %	Effect on profit for the year and equity	
		2013 KD	2012 KD
UAE Dirhams	+5%	208,436	285,154
Omani Riyal	+5%	-	903
Others	+5%	8	8

The effect of decrease in currency rate is expected to be equal and opposite to the effect of the increases shown above.

(ii) Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in effective profit rate for Islamic financial instruments on the market. Management has established levels of profit rate risk by setting financing limits. The Group is not exposed to profit rate risk because all its financial instruments are Islamic financial instruments of a fixed profit rate.

25. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Market risk (continued)

(iii) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consist principally of financial assets available for sale. The Group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant.

	Change in equity price 2013	Effect on equity 2013	Change in equity price 2012	Effect on equity 2012
		KD		KD
Unquoted	+10%	12,690	+10%	16,970

The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises principally from outstanding trade receivables, bank balances and committed transactions. The Group seeks to limit its credit risk with respect to receivables by setting credit limits for individual customers and monitoring outstanding receivables on a regular basis. Normal credit terms for customers range up to three months. The Group seeks to limit its credit risk with respect to bank balances by dealing with reputable banks and financial institutions.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum net exposure to credit risk by class of assets at the reporting date is as follows:

	2013	2012
	KD	KD
Bank balances	1,241,371	1,516,736
Islamic financing receivables	-	566,958
Trade and other receivables	2,438,967	1,812,213
	3,680,338	3,895,907

25. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Credit risk (continued)

Concentration of credit risk

Concentrations arise when a number of counterparties is 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 particlular industry or geographical location.

The Group's credit risk bearing assets can be analysed by the geographical region and industry wise sector as follows:

	2013	2012
	KD	KD
Geographic region:		
Kuwait	3,665,124	3,880,654
United Arab Emirates	15,214	15,253
	3,680,338	3,895,907

	2013	2012
	KD	KD
Industry sector:		
Leasing	644,202	379,102
Financing	-	566,958
Investment	1,794,765	1,433,111
Banks and financial institutions	1,241,371	1,516,736
	3,680,338	3,895,907

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company aims to maintain flexibility in funding by keeping committed credit lines available as well as the support from the partners.

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

31 December 2013	Within 3 months	3-6 months	6-12 months	Over one year	Total
Islamic financing payables	6,131,095	33,980	3,124,946	397,784	9,687,805
Other liabilities	807,305	1,100,000	372,117	2,879,674	5,159,096
	6,938,400	1,133,980	3,497,063	3,277,458	14,846,901

25. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Liquidity risk (continued)

31 December 2012	Within 3 months	3-6 months	6-12 months	Over one year	Total
Islamic financing payables	3,810,583	893,700	2,361,634	1,273,399	8,339,316
Other liabilities	1,444,224	-	1,619,146	457,810	3,521,180
	5,254,807	893,700	3,980,780	1,731,209	11,860,496

Fair value of financial instruments

In the opinion of Parent Company's management, carrying amounts of the financial instruments are not materially different from their respective fair values as at the consolidated statement of financial position date.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows:

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of financial assets (unquoted funds) are determined based on prices from observable current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with generally accepted pricing models.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

26. PRIOR YEAR ADJUSTMENT AND COMPARATIVE FIGURES

Certain comparative information have been reclassified to conform to the current year's presentation. Such reclassification did not affect previously reported profit or loss, equity or opening balances of the earliest comparative period presented; accordingly a third consolidated statement of financial position is not presented.