2012 ANNUAL REPORT

تمدين
TAMDEEN
SHOPPING CENTERS

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

H.H. Sheikh Nawaf Al Ahmad Al Jaber Al Sabah
Crown prince of the State of Kuwait

H.H. Sheikh Sabah Al Ahmad Al Jaber Al Sabah
Amir of the State of Kuwait

H.H. Sheikh Jaber Al Mubarak Al Hamad Al Sabah
Prime minister of the State of Kuwait

CONTENTS

BOARD MEMBERS

Marzouq Jassim Al Marzouq
CHAIRMAN

Ahmad Abdulaziz Al Sarawi
VICE CHAIRMAN & CEO

Shavak Srivastava
BOARD MEMBER

Tareq Abdulmohsin Al Julaibi
BOARD MEMBER

EXECUTIVE MANAGEMENT

Marzouq Jassim Al Marzouq
CHAIRMAN

Ahmad Abdulaziz Al Sarawi
VICE CHAIRMAN & CEO

Rachid Kazma
GM - PROJECTS

Mohammed Metwally
GM - DEVELOPMENT

Tamer Ali Ayoub
DEPUTY FINANCE MANAGER

CHAIRMAN'S LETTER

HONORABLE SHAREHOLDERS

MAY PEACE AND ALLAH'S MERCY AND BLESSINGS BE UPON YOU,

FOR MYSELF AND ON BEHALF OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT OF THE COMPANY, I AM PLEASED TO WELCOME YOU AT OUR ANNUAL MEETING TO PRESENT TO YOU THE ANNUAL REPORT OF TAMDEEN SHOPPING CENTERS COMPANY KSCC, FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2012 IN WHICH WE REPORT ON THE ACHIEVEMENTS OF THE COMPANY DURING THE YEAR.

HONORABLE SHAREHOLDERS,

Last year, the domestic economy witnessed a number of important events that had a deep effect on the national economy. Oil prices remained generally stable, thereby strengthening the State's budget surplus for the year, and the Central Bank of Kuwait's decision to reduce its discount rate had a positive effect on increasing the consumer spending.

During 2012, the company carried out considerable development works at the 360 Mall which included the development and opening of a new car parking area to serve the increasing number of shoppers at the Mall. In addition, The Sky Lounge area was also launched, with an impressive array of high scale restaurants. Moreover, and pursuant to its operating and marketing policy, the company succeeded in attracting and opening of outlets for a number of the world's best brands at the 360 Mall.

Pressing on with its policy of expanding the Company's real estate portfolio, we opened the Sama Sulaibkhat Commercial Center at Gharnata, This center consists of commercial shops, restaurants and administrative offices.

Tamdeen Shopping Centers Company looks with great optimism toward to the near future, for the Company currently owns three commercial compounds that generate rewarding revenues, and will short start the construction and development of The Eight project located at Sabah Al-Salem. We continue to follow up closely the political situation in the Kingdom of Bahrain where we will consider the method of starting the construction of the long-awaited Sarab Al-Areen project, now that the company has resolved the disputes that had existed with the owner of the property as we had reported in our report for the year 2011.

The Company's investment profits amounted to KD 9,721,841 through its disposing of a number of investments. The decision to disinvest was taken in light of the increasing demand for those investments during the year 2012.

HONORABLE SHAREHOLDERS,

During 2012, the company disposed of its investment in Barwa Real Estate Company in Qatar and the proceeds were applied to a new investment that the company expects to yield good financial revenues and a higher profit. The new investment is a number of commercial and investment plots of land in the State of Kuwait to be added to the Company's portfolio of prime real estate investments. Furthermore, the Company increased its investments in the real estate sector by participating in a local real estate investment fund.

In other developments, the Company succeeded in reducing its debt owed to a local bank by 14% thereby reducing its finance interest costs.

HONORABLE SHAREHOLDERS,

Total assets amounted to KD 232,426,039 as at 31 December 2012, while total revenues amounted to KD 29,648,455 for the year compared to KD 20,081,631 for the year 2011.

Net profits amounted to KD 7,126,579 for the year compared to KD 5,153,481 for 2011. In light of these positive results, the board of directors recommends the distribution of a cash dividend of 5%, or 5 Fils per share for the financial year ended 31 December 2012, subject to the approval of the General Assembly.

HONORABLE SHAREHOLDERS

For myself and on behalf of my colleagues in the board of directors, I would like to express our deepest thanks and gratitude to His Highness the Amir, Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, to His Highness the Crown Prince, Sheikh Nawwaf Al-Ahmed Al-Jaber Al-Sabah, and to His Highness the Prime Minister, Sheikh Jaber Mubarak Al-Hamad Al-Sabah, for their continuous patronage and support of the country's private sector.

IN CONCLUSION

I seize this opportunity to express my deepest thanks and appreciation to our esteemed shareholders, my fellow members of the board of directors, the executive management and all the employees of the company for their fruitful efforts that were so instrumental in enabling the company to achieve these remarkable results in the year 2012.

God is the guardian of success,,,

Peace and God's Mercy
and Blessings be upon you,

MARZOUQ JASSIM AL MARZOUQ
CHAIRMAN

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Tamdeen Shopping Centers Company (K.S.C.C), "the Company" and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2012 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 information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

Bader A. Al-Wazzan

(Licence No. 62A)

Deloitte & Touche

Al Fahad, Al Wazzan & Co.

Kuwait 21 February 2013

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

OPINION

In our opinion, the acompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, and by the Company›s Articles of Association; that an inventory was duly carried out; and that to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, or of the Company’s Articles of Association have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the Group or on its consolidated financial position.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	NOTE	2012	2011
Assets			
Non-current assets			
Property, plant and equipments	5	24,084,161	40,550,229
Investment properties	6	131,000,000	115,350,225
Investment in associates	7	1,289,109	20,295,774
Trade and other Receivables	9	435,073	188,616
		156,808,343	176,384,844
Current assets			
Lands held for trading	8	61,215,551	47,385,214
Inventories		258,363	248,169
Trade and other receivables	9	3,035,517	4,373,326
Available for sale investments	10	6,559,540	4,478,173
Cash at bank, on hand and investment portfolios	11	4,548,725	6,667,011
		75,617,696	63,151,893
Total assets		232,426,039	239,536,737
Equity and liabilities			
Equity			
Equity attributable to shareholders of the Company			
Share capital	12	100,000,000	100,000,000
Share premium	12	14,000,000	14,000,000
Statutory reserve	13	1,441,213	712,681
Change in fair value reserve		2,987	(647,293)
Foreign currency translation reserve		490,913	(130,838)
Retained earnings		12,578,722	6,186,195
		128,513,835	120,120,745
Non-controlling interest		6,237,686	6,122,876
Total equity		134,751,521	126,243,621
Liabilities			
Non-current liabilities			
Loans and bank facilities	15	78,950,000	91,550,000
Trade and other payables	16	3,440,951	3,198,383
Post employment benefits	17	563,013	453,642
		82,953,964	95,202,025
Current liabilities			
Trade and other payables	16	9,690,081	11,745,748
Loans and bank facilities	15	5,030,473	6,345,343
		14,720,554	18,091,091
Total liabilities		97,674,518	113,293,116
Total equity and liabilities		232,426,039	239,536,737

The accompanying notes are an integral part of these consolidated financial statements

Ahmad Abdulaziz Al Sarawi
Vice Chairman & CEO

Marzouq Jassim Al Marzouq
Chairman

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	NOTE	2012	2011
Revenues			
Operating revenues	18	19,195,662	19,599,226
Operating costs	19	(4,424,943)	(3,793,506)
Gross profit		14,770,719	15,805,720
Investments income	20	9,721,841	186,479
Other revenues		687,611	605,568
General and administrative expenses	21	(2,599,335)	(2,620,115)
Net finance cost	22	(3,881,479)	(3,940,239)
Group's share from associates results	7	43,341	(309,642)
Losses from acquisition of an associate	7	(106,597)	-
Losses on disposal of property, plant and equipments		(5,885,333)	-
Provisions and impairment	24	(5,463,238)	(4,444,544)
Net profit for the year before deductions		7,287,530	5,283,227
Board of Directors remuneration		(36,670)	-
Contribution to KFAS	25	(58,089)	(41,035)
Zakat		(66,192)	(88,711)
Net profit for the year		7,126,579	5,153,481
Attributable to:			
Shareholders of the Company		7,124,367	5,136,686
Non-controlling interest		2,212	16,795
Net profit for the year		7,126,579	5,153,481

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	NOTE	2012	2011
Net profit for the year		7,126,579	5,153,481
Other comprehensive income items			
Transferred to statement of income on sale of available for sale investments		(3,391)	-
Impairment of available for sale investments		1,091,827	-
Change in fair value of available for sale investments	10	(438,156)	(61,449)
Foreign currency translation		144,610	(250,745)
Disposal of translation of financial statements of an associate		536,431	-
Total other comprehensive income items		1,331,321	(312,194)
Total comprehensive income for the year		8,457,900	4,841,287
Attributable to:			
Shareholders of the Company		8,396,398	4,869,042
Non-controlling interest		61,502	(27,755)
		8,457,900	4,841,287

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS							Non-controlling Interest	Total
	Share capital	Share premium	Statutory reserve	Change in fair value reserve	Foreign currency translation reserve	Retained earning	Total		
Balance as at 1 January 2011	100,000,000	14,000,000	186,038	(585,844)	75,357	1,576,152	115,251,703	6,150,631	121,402,334
Net profit for the year	-	-	-	-	-	5,136,686	5,136,686	16,795	5,153,481
Other comprehensive income items									
Change in fair value of available for sale investments	-	-	-	(61,449)	-	-	(61,449)	-	(61,449)
Translation of financial statements	-	-	-	-	(206,195)	-	(206,195)	(44,550)	(250,745)
Total other comprehensive income items	-	-	-	(61,449)	(206,195)	-	(267,644)	(44,550)	(312,194)
Transferred to statutory reserve	-	-	526,643	-	-	(526,643)	-	-	-
Balance as at 31 December 2011	100,000,000	14,000,000	712,681	(647,293)	(130,838)	6,186,195	120,120,745	6,122,876	126,243,621
Balance as at 1 January 2012	100,000,000	14,000,000	712,681	(647,293)	(130,838)	6,186,195	120,120,745	6,122,876	126,243,621
Net profit for the year	-	-	-	-	-	7,124,367	7,124,367	2,212	7,126,579
Other comprehensive income items									
Transferred to statement of income on sale of available for sale investments	-	-	-	(3,391)	-	-	(3,391)	-	(3,391)
Impairment of available for sale investments	-	-	-	1,091,827	-	-	1,091,827	-	1,091,827
Change in fair value of available for sale investments	-	-	-	(438,156)	-	-	(438,156)	-	(438,156)
Translation of financial statements	-	-	-	-	85,320	-	85,320	59,290	144,610
Disposal of translation of financial statements of an associate	-	-	-	-	536,431	-	536,431	-	536,431
Total other comprehensive income items	-	-	-	650,280	621,751	-	1,272,031	59,290	1,331,321
Transferred to statutory reserve	-	-	728,532	-	-	(728,532)	-	-	-
Sale of share in subsidiaries	-	-	-	-	-	(3,308)	(3,308)	53,308	50,000
Balance as at 31 December 2012	100,000,000	14,000,000	1,441,213	2,987	490,913	12,578,722	128,513,835	6,237,686	134,751,521

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	NOTE	2012	2011
Cash Flows from operating activities			
Net profit for the year		7,126,579	5,153,481
Adjustments for:			
Depreciation and amortization		899,688	849,986
Gains from fair value of investments properties	6	(1,955,124)	(5,065,230)
Impairment of receivables	24	71,411	4,444,544
Provision of claims	24	3,800,000	-
Impairment of available for sale investments	24	1,591,827	-
Losses on disposal of property, plant and equipments		5,885,333	-
Gain on sale of lands		(2,058,061)	(888,578)
Gains from available for sale investments		(9,721,841)	(186,479)
Group's share from associates results	7	(43,341)	309,642
Losses from acquisition of an associate		106,597	-
Finance costs	22	3,881,479	3,940,239
Post-employment benefits		177,519	86,524
Operating profit before changes in working capital		9,762,066	8,644,129
Inventories		(4,372)	(51,981)
Trade and other receivables		8,425,752	9,518,472
Trade and other payables		(6,222,534)	(16,734,713)
Cash generated from operating activities		11,960,912	1,375,907
Post-employment benefits paid	17	(57,618)	(81,965)
Net cash generated from operating activities		11,903,294	1,293,942
Cash flows from investing activities			
Paid for acquisition of property, plant, equipments and projects under progress		(1,175,435)	(5,970,656)
Paid for construction and development of investment properties		(1,972,889)	(2,415,809)
Paid for acquisition of land held for trading		(27,103,076)	-
Proceeds from sale of land held for trading		8,258,833	3,228,812
Paid for acquisition of available for sale investments		(1,432,557)	-
Proceeds from sale of available for sale investments		27,890,115	-
Paid for acquisition of an associate		(500,000)	(250,000)
Proceeds from sale of share in subsidiaries		40,000	-
Cash dividends received		216,242	186,479
Net cash generated from/ (used in) investing activities		4,221,233	(5,221,174)
Cash flows from financing activities			
Paid from finance costs		(4,688,851)	(4,510,921)
Net (paid) / proceeds from loans and bank facilities		(13,500,000)	10,839,551
Net cash (used in) / generated from financing activities		(18,188,851)	6,328,630
Net (decrease) / increase in cash and cash equivalents		(2,064,324)	2,401,398
Foreign exchange differences		1,942	(19,400)
Cash and cash equivalents at the beginning of the year		6,046,390	3,664,392
Cash and cash equivalents at the end of the year	11	3,984,008	6,046,390

The accompanying notes are an integral part of these consolidated financial statements.

1- COMPANY'S OVERVIEW

TAMDEEN SHOPPING CENTERS (K.S.C.C) "THE COMPANY" WAS INCORPORATED ON 1 MARCH 2005 ACCORDING TO ESTABLISHMENT CONTRACT REGISTERED BY NO. 1148/C/PART (1). THE COMPANY IS LOCATED IN
AL - ZAHRAA – 360 MALL – 4TH FLOOR – OFFICE 5 - P.O. BOX 29060 – SAFAT – 13151 KUWAIT.

THE OBJECTIVES OF THE COMPANY ARE:

1. Owning, sale and purchase of lands and properties and development thereof for the Company inside and outside Kuwait, and carrying out maintenance and management of third parties' properties.
2. Owning, sale and purchase of shares and bonds in real estate companies for the Company's account only inside and outside Kuwait, and establish and manage real estate funds (subject to approval of Central Bank of Kuwait).
3. Conducting studies and providing any advisory services in the real estate sector, provided that the conditions applicable to the service provider should be met.
4. Owning, managing and operating hotels, Health clubs and touristic facilities, and renting in and renting out thereof.
5. Owning and managing the commercial markets and residential complexes.
6. Utilization of the surplus funds by investing these funds in portfolios managed by specialized entities.
7. Direct participating in setting up the infrastructures of BOT based residential, commercial and industrial areas and projects and real estate facility management.

The Company may have interest, or participate with entities that carry out similar activities or these that can assist the Company in achieving its objectives inside Kuwait and abroad and it may establish, incorporate, acquire or affiliate these entities.

On 26 November 2012, the Companies law No. 25 of 2012 has been issued and published in the official gazette on 29 November 2012 to replace the Commercial Companies law No. 15 of 1960. The new Law is effective from the date of its publishing in the official gazette. Companies should make necessary procedures to be in compliance with provisions of the new law within six months from its effective date. The company is currently taking the necessary procedures in this respect.

These consolidated financial statements include the financial statements of the Company and its subsidiaries (together referred to as "the Group") as follows:

Company Name	Ownership %		Country of incorporation
	31 December 2012	31 December 2011	
Tamdeen Entertainment Co. KSCC	99.65%	100%	Kuwait
Tamdeen Bahraini Real Estate Co. BSCC	59%	59%	Bahrain
GLA for property management - WLL	98%	100%	Kuwait

The financial statements were authorized for issue by the Board of Directors on 21 February 2013.

2- BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

2.1.1 New and revised standards

New and revised IFRSs issued and effective

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES - TRANSFERS OF FINANCIAL ASSETS

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

IAS 12 DEFERRED TAXES - RECOVERY OF UNDERLYING ASSETS

Under the amendments, investments properties that are measured using the fair value model in accordance with IAS 40 are presumed to be recovered entirely through sale for the purpose of measuring deferred taxes unless the presumption is rebutted. This amendment has no impact on the group's financial statements.

New and revised IFRSs in issue but not yet effective

- IFRS 7: Financial Instruments: Disclosures
- IFRS 9: Financial Instruments: Classification and Measurement
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosures of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- IAS 1: Presentation of Financial Statements
- IAS 19: Employee Benefits
- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates and Joint Ventures
- IAS 32: Financial Instruments: Presentation

The Group has not applied these new and revised IFRS. Following are the significant changes that are related to the Group activities:

FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JULY 2012

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 financial position or performance.

FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2013

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 Group expects the application of this standard will have no significant impact on the Group financial statements.

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

IFRS 11 JOINT ARRANGEMENTS

The standard replaces IAS 31 "Interests in Joint Ventures". The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs must be accounted for using the equity method. The standard has no significant effect on the financial statements of the Group.

IFRS 12 DISCLOSURE OF INVOLVEMENT WITH 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.

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.

IFRS 13 FAIR VALUE MEASUREMENT

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The Group anticipates that the application of the new standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2014

IAS 32 "FINANCIAL INSTRUMENTS – PRESENTATION" AND IFRS 7 "FINANCIAL INSTRUMENTS – DISCLOSURES"

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 IFRS 7 are effective for annual periods beginning on or after 1 January 2013 retrospectively. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2015

IFRS 9 FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT

IFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

The Group anticipates that the application of IFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

2.2 Significant accounting Policies

2.2.1 Basis of Consolidation

SUBSIDIARIES

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and,

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Any related accumulated items in equity will be accounted for as if the Company had directly disposed of the relevant assets (reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting.

BUSINESS COMBINATIONS

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INVESTMENTS IN ASSOCIATES

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 not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised immediately in the profit or loss. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39.

The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group reclassifies all amounts previously recognised in other comprehensive income in relation to that associate to profit or loss when it loses significant influence over that associate.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.2.2 PROPERTY, PLANT AND EQUIPMENTS

Property, plant and equipments are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

Project under construction are included in property, plant and equipments in the consolidated statement of financial position until they are completed and ready for their intended use. At that time, they are reclassified under similar assets and the depreciation is calculated from this date.

Properties being constructed or developed principally for investment property are stated as projects in progress. These are stated at cost till completing the construction or development and they accounted for as investment properties.

2.2.3 INVESTMENTS PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at 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 profit or loss in the period in which they arise.

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 profit or loss in the period in which the property is derecognised.

2.2.4 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediiately in profit or loss.

2.2.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in (note 3.3).

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

AVAILABLE FOR SALE (AFS)

AFS financial assets are non-derivatives and are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

The financial assets available for sale are re-measured at fair value. The fair value is determined in the manner described in (note 3.3)

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

IMPAIRMENT IN VALUE

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment will be affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

DERECOGNITION

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

FINANCIAL LIABILITIES

Financial liabilities (including borrowings & Creditors and other credit balances) are recognised initially at fair value, net of transaction costs incurred subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

DERECOGNITION

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.2.6 LANDS HELD FOR TRADING

Lands are classified at cost when acquired in order to be sold as lands held for trading. Land and real estate held for trading are stated at the lower of cost or its net realizable value.

Net realizable value is determined based on the basis of estimated sale value, less the estimated expenses necessary to complete the sale.

2-2-7 INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Raw materials cost is determined on a weighted average cost basis. Net realizable value is the estimated selling prices less all the estimated costs of completion and costs necessary to make the sale.

2-2-8 CASH AND CASH EQUIVALENT

Cash and cash equivalents represent cash on hand and at banks, cash at portfolios, and time deposits that mature within three months from the date of placement.

2-2-9 BORROWINGS

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

2-2-10 POST EMPLOYMENT BENEFITS

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2-2-11 TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective yield method.

2-2-12 PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2-2-13 DIVIDENDS

The dividends attributable to shareholders of the Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2-2-14 FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates('the functional currency'). The consolidated financial statements are presented in Kuwaiti Dinars, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated at the exchange rates to Kuwaiti Dinars prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each financial position presented are translated at the closing rate at the date of the financial position.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of equity.

2-2-15 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Services revenues are recognized when the services are rendered.
- Dividend income is recognized when the right to receive payment has been established.
- Interest income from deposits is recognized on time basis, and other revenues and expenses are recognized on an accrual basis.

2-2-16 OPERATING 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. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis

2-2-17 FINANCE COSTS

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of that asset. Capitalization of finance costs is suspended during extended periods in which active development is interrupted. Capitalization of finance costs is ceased when substantially all the activities necessary to prepare the asset for its intended use are completed. Other finance costs are recognized as expenditures in the period in which they are incurred.

3- FINANCIAL RISK MANAGEMENT

3-1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk. These risks are monitored and managed by the top management.

MARKET RISK

Market risk is the risk that an enterprise may incur financial losses due to adverse movements in market price of investments, interest and foreign currency rates.

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group manages its risks arising from changes in foreign currencies rates through monitoring the markets exchange rates on a daily basis.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rate of return.

The Group is exposed to interest rate risk as it holds the following financial instruments:

- Time deposits (note 11).
- Loans and bank facilities (note 15).

Financial instruments issued at fixed interest rate expose the Group to fair value interest rate risk arises from changes in interest rates. Financial instruments issued at variable interest rates expose the Group to cash flow interest rate risks. The Group's management monitors interest rate risk by regular tracking of market interest rates.

Price risks

Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from foreign exchange risk and interest rate risk).

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the financial position as available for sale, and investments at fair value through profit or loss.

The Group's management monitors and manages these risks through:-

- Management of the Group's investments through portfolios managed by specialized companies.
- Most of Group's investments are in listed companies' shares, otherwise there are chances of direct investment in unlisted shares for similar activities. Such investments are studied and approved by the key management.
- Management make periodic follow-up on changes in market prices.
- Investment generally in shares of companies having good financial positions that generate high operating income and cash dividends.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of cash and cash equivalents and trade and other receivables. The Group manages this risk by placing cash with high credit rating banks.

LIQUIDITY RISK

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity. The Group monitors the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

The following is the maturity analysis of the Group's liabilities as at 31 December 2012:

Liabilities	One month	1 - 3 Months	3 months - 1 year	1 - 2 years	2 – 5 years
Trade payables	123,310	672,920	8,080,982	-	3,440,951
Loans and bank facilities	500,000	1,440,986	4,692,575	6,188,000	80,734,548

The following are the financial commitments maturity dates as at 31 December 2011:

Liabilities	One month	1 - 3 Months	3 months - 1 year	1 - 2 years	2 – 5 years
Trade payables	311,019	1,252,949	9,169,860	-	3,198,383
Loans and bank facilities	550,000	1,867,791	6,086,592	52,312,466	47,348,596

3-2 CAPITAL RISK MANAGEMENT:

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents balances) and equity (comprising issued capital, reserves, retained earnings and non-controlling interests).

The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012	2011
Total loans and bank facilities (note 15)	83,980,473	97,895,343
Less : Cash at bank, on hand and investment portfolios (note 11)	(4,548,725)	(6,667,011)
Net debt	79,431,748	91,228,332
Total equity	134,751,521	126,243,621
Total capital	214,183,269	217,471,953
Gearing ratio	37.09%	41.95%

3-3 FAIR VALUE ESTIMATION

The fair values of financial assets and financial liabilities are determined as follows:

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 one:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level two:	Quoted prices in active markets for similar instruments other than quoted prices included within Level 1, or prices declared quoted by managers of investment funds, or other valuation techniques where all important inputs are based on comparative market data, either directly or indirectly.
Level three:	Inputs for the asset or liabilities that are not based on observable market data.

The table below represents the financial instrument's analysis that recorded at fair value on the levels above mentioned:

	2012	2011
Assets		
Level one	4,114,796	4,478,173
Level Two	1,512,189	-
	5,626,985	4,478,173

The investments, whose fair value could not be reliably determined, are measured at cost since the management doesn't have any indications for impairment of such investments.

4- SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years:

Valuation of financial instruments

As described in (note 3-3), the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. (Note 3-3) provides detailed information about the key assumptions used in the determination of the fair value of financial instruments.

The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Impairment of fixed assets and inventory

The Group reviews the fixed assets and inventories on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of 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, and actual results may differ resulting in future changes to such provisions.

Evidence of impairment of investments

Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Useful lives of property and equipments

The Group's management determines the estimated useful lives and related depreciation charges for its property and equipments. Management will increase the depreciation charge when the useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Contingent liabilities / liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

5- PROPERTY, PLANT AND EQUIPMENTS

	2011					
	Buildings & constructions	Games, machinery & equipment	Furniture, fixtures & computers	Vehicles	Projects in progress	Total
Cost						
As at 1 January	5,979,305	4,234,149	343,954	29,795	60,472,272	71,059,475
Foreign currency differences	-	-	-	-	(1,325)	(1,325)
Additions	352,003	142,834	205,951	19,115	12,991,425	13,711,328
Disposals	-	-	(979)	-	(4,043,509)	(4,044,488)
Transferred from projects in progress	-	283,409	784,235	-	(1,067,644)	-
Transferred to investment properties	-	-	-	-	(7,746,185)	(7,746,185)
Transferred to land held for trading	-	-	-	-	(40,720,730)	(40,720,730)
Transferred from advance payment to purchase a property & equipments	-	-	-	-	14,558,282	14,558,282
As at 31 December	6,331,308	4,660,392	1,333,161	48,910	34,442,586	46,816,357
Accumulated depreciation and impairment						
As at 1 January	166,022	479,156	101,539	6,847	237,821	991,385
Depreciation for the year	276,318	412,683	150,918	10,067	-	849,986
Disposals	-	-	(651)	-	-	(651)
Impairment in value (note 9)	-	-	-	-	4,425,408	4,425,408
As at 31 December	442,340	891,839	251,806	16,914	4,663,229	6,266,128
Net book value						
As at 31 December	5,888,968	3,768,553	1,081,355	31,996	29,779,357	40,550,229

5- PROPERTY, PLANT AND EQUIPMENTS (CONTINUED)

	2012					
	Buildings & constructions	Games, machinery & equipment	Furniture, fixtures & computers	Vehicles	Projects in progress	Total
Cost						
As at 1 January	6,331,308	4,660,392	1,333,161	48,910	34,442,586	46,816,357
Foreign currency differences	-	-	-	-	142,669	142,669
Additions	33,817	51,441	229,818	5,550	936,817	1,257,443
Disposals	-	(75,723)	(292,294)	-	(5,705,739)	(6,073,756)
Transferred from projects in progress	3,089	47,750	2,013	-	(52,852)	-
Transferred to investment properties	-	-	-	-	(10,956,086)	(10,956,086)
As at 31 December	6,368,214	4,683,860	1,272,698	54,460	18,807,395	31,186,627
Accumulated depreciation and impairment						
As at 1 January	442,340	891,839	251,806	16,914	4,663,229	6,266,128
Depreciation for the year	279,765	456,423	152,108	11,392	-	899,688
Disposals	-	(32,460)	(30,890)	-	-	(63,350)
As at 31 December	722,105	1,315,802	373,024	28,306	4,663,229	7,102,466
Net book value						
As at 31 December	5,646,109	3,368,058	899,674	26,154	14,144,166	24,084,161
Useful lives / year	20-50	4-25	4-5	4-5		

Projects in progress as of 31 December are represented in:

	2012	2011
Lands	12,762,677	17,863,154
Buildings under constructions	1,381,489	11,916,203
	14,144,166	29,779,357

- The Group has obtained bank facilities against mortgage part from projects in progress. The cost of these projects is amounted to KD 3,442,486 as at 31 December 2012 (KD 19,460,464 as at 31 December 2011).
- Depreciations are allocated as follows:

	2012	2011
Operating costs (note 19)	639,124	593,902
General and administrative expenses (note 21)	260,564	256,084
	899,688	849,986

6- INVESTMENT PROPERTIES

Balance as of 31 December is represented as follows:

	2012	2011
Balance at the beginning of the year	115,350,225	100,000,000
Transferred from property and equipments (note 5)	10,956,086	7,746,185
Additions	2,738,565	2,538,810
change in fair value (Note 18)	1,955,124	5,065,230
	131,000,000	115,350,225

- Investments properties pledged against loans and bank facilities for local banks (note 15).

7- INVESTMENT IN ASSOCIATES

	Ownership percentage			
	2012	2011	2012	2011
Barwa Al Doha Company. (WLL - Qatari)	-	35 %	-	19,459,303
Three Sixty Style Company (KSCC)	50 %	-	494,874	-
Al-Maysam Trading Company (WLL - Kuwait)	36 %	36 %	362,298	362,685
Fu-com Central Market Company (KSCC)	24.6 %	25 %	223,174	262,750
Tamdeen for Housing Company (KSCC)	20 %	20 %	208,763	211,036
			1,289,109	20,295,774

Movements of investments in associates during the year represented in:

	2012	2011
Balance as at 1 January	20,295,774	20,497,503
Establishing, acquisition and capital increase of an associate	500,000	250,000
Group's share from associates' results	43,341	(309,642)
Losses from acquisition of an associate	(106,597)	-
Disposals of associates	(19,443,409)	-
Foreign currency translation	-	(142,087)
	1,289,109	20,295,774

Following are the assets, liabilities, revenues, profits and losses resulted from investment in associate as of 31 December.

	2012			
	Assets	Liabilities	Revenues	Net profit / (loss)
Three Sixty Style Company KSCC	2,200,512	1,210,764	3,001,200	345,834
Al-Maysam Trading Company WLL	1,007,400	1,016	-	(1,075)
Fu-com Central Market Company KSCC	10,352,700	9,448,000	36,610,201	(143,165)
Tamdeen for Housing Company KSCC	1,050,106	6,293	140	(11,369)

	2011			
	Assets	Liabilities	Revenues	Net profit / (loss)
Barwa Al Doha Company W.L.L. Qatari	66,516,001	10,917,993	196,328	(639,883)
Al-Maysam Trading Company WLL	1,009,166	1,708	9,168	7,458
Fu-com Central Market Company KSCC	9,974,100	8,926,100	28,141,842	(353,200)
Tamdeen for Housing Company KSCC	1,063,418	8,236	11,507	(333)

8. LANDS HELD FOR TRADING

Movement of lands held for trading are as follows:

	2012	2011
Balance at the beginning of the year	47,385,214	11,454,400
Additions	27,103,076	58,628
Transferred from project in process	-	40,720,727
Disposals	(13,272,739)	(4,848,541)
	61,215,551	47,385,214

Lands held for trading are pledged for local banks against loans and bank facilities granted to the Group of KD 5,755,836 as at 31 December 2012 (KD 13,951,557 as at 31 December 2011).

9- TRADE AND OTHER RECEIVABLES

	2012	2011
Non-current		
Advance payments to purchase properties and equipment	435,073	188,616
	435,073	188,616
Current		
Trade and notes receivables	287,930	1,137,269
Prepaid expenses	148,934	84,999
Staff receivables	94,671	101,745
Margin of letters of guarantee	14,000	37,000
Due from related parties (note 26)	2,398,556	6,271,757
Others	162,837	328,541
Deferred expenses	-	856,559
	3,106,928	8,817,870
Impairment of receivables	(71,411)	(4,444,544)
	3,035,517	4,373,326
	3,470,590	4,561,942

- The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.
- The carrying value of trade receivables approximates its fair value.
- The other classes within trade and other receivables do not contain impaired assets, except which had already impaired.

The movement on the provision of trade and other receivables are represented in the following:

	2012	2011
Balance at the beginning of the year	4,444,544	4,425,408
Reclassification to projects in progress (note 5)	-	(4,425,408)
Provide provision of trade receivables during the year	71,411	4,444,544
Utilized	(4,444,544)	-
Balance at 31 December	71,411	4,444,544

10- AVAILABLE FOR SALE INVESTMENTS

Following is the movement of available for sale investments during the year:

	2012	2011
Balance at the beginning of the year	4,478,173	4,539,622
Additions	21,407,430	-
Disposals	(18,387,907)	-
Change in fair value	(438,156)	(61,449)
	7,059,540	4,478,173
Impairment	(500,000)	-
Balance at the end of the year	6,559,540	4,478,173

- Available for sale investments include KD 900,000 as at 31 December 2012 (KD 990,000 as at 31 December 2011) represent Group's investment in share capital of one of shareholding companies (related party) shareholding by 30% of the company's share capital.
- Certain available for sale investments with a book value of KD 4,114,796 as at 31 December 2012 (KD 4,478,173 as at 31 December 2011) represent investment in quoted financial shares within a financial portfolio managed by a related party.
- The investments carried at cost of KD 1,432,555 as at 31 December 2012 (Nil as at 31 December 2011) represent unquoted foreign investments in USD, were carried at cost due to lack of an active market for such investments. Management believes that there is no indication of any impairment of such investments.
- Available for sale investments which are pledged to a local bank against loans and bank facilities is amounted to KD 3,447,402 as at 31 December 2012 (KD 3,729,919 as at 31 December 2011).

11- CASH AT BANK, ON HAND AND INVESTMENT PORTFOLIOS

	2012	2011
Cash on hand	850	485
Banks - current accounts	4,142,434	6,398,069
Time deposits	224,125	-
Cash at investment portfolios	181,316	268,457
Total cash at bank, on hand and investments portfolios	4,548,725	6,667,011
(Less):		
Hold accounts against letters of guarantee	(400,000)	(400,000)
Cash pledged for a local bank against loans and bank facilities	(164,717)	(220,621)
Cash and cash equivalents	3,984,008	6,046,390

- The cash at investment portfolios is managed by a related party (note 26)
- The cash which is pledged to a local bank against loans and bank facilities is amounted to KD 164,717 as at 31December 2012 (KD 220,621 as at 31 December 2011).

12- SHARE CAPITAL / SHARE PREMIUM

SHARE CAPITAL

The issued and paid up capital amounted to KD 100,000,000 distributed over 1,000,000,000 shares at 100 fils per share as at 31 December 2012 (KD 100,000,000 as at 31 December 2011).

SHARE PREMIUM

Share premium could be used in amortize the losses or in share capital increase.

13- STATUTORY RESERVE

In accordance with the Company's Articles of Association, 10% of the net profit before KFAS, National Labor Support Tax, Board of Directors' remuneration and Zakat expense for the year is required to be transferred to statutory reserve. The General Assembly may resolve to discontinue such annual transfers when the statutory reserve reaches 50% of the Company's paid up capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up capital to be made in years when accumulated profits are not sufficient for the payment of such dividend.

14- Dividend

On 21 February 2013, Board of directors proposed cash dividends at 5% from the share's nominal value equivalent to 5 fils per share. This proposed is subject to the shareholder's approval in the general assembly.

15- LOANS AND BANK FACILITIES

	2012	2011
Non-current		
Loans	78,950,000	91,550,000
Current		
Loans	5,030,473	6,345,343
	5,030,473	6,345,343
	83,980,473	97,895,343
Effective interest rate	4.94 %	5.21 %

Loans and bank facilities are granted from local banks against the following guarantees:

- Joint guarantee by Kuwait National Cinema Company (shareholder of 30%), and Tamdeen Real Estate Company (shareholder of 30%).
- Pledging investment properties (note 6) and pledging part of projects in progress (note 5).
- Pledging part of land held for trading (note 8).
- Pledging part of available for sale investments (note 10) and part of cash at investments portfolios (note 11).
- The non-current portion of loans is due during periods ranging between 2 to 5 years.

16- TRADE PAYABLES

	2012	2011
Non-current		
Refundable deposits	3,440,951	3,198,383
Current		
Trade payables	627,744	522,161
Retention	607,818	1,291,963
Due to related parties (note 26)	1,769,613	7,474,696
Claims provision	3,800,000	-
Leave provision	239,311	203,573
Staff bonuses and accrued expenses	1,098,542	806,017
Deferred rental income	866,175	989,636
Others	556,597	327,956
KFAS	58,089	41,035
Zakat	66,192	88,711
	9,690,081	11,745,748
	13,131,032	14,944,131

Refundable deposits represent deposits received from tenants of investment properties.

17- POST-EMPLOYMENT BENEFITS

	2012	2011
Balance as at 1 January	453,642	315,164
Charged to statement of income	177,519	86,524
Paid	(57,618)	(81,965)
Transferred (to) / from related parties	(10,530)	133,919
Balance as at 31 December	563,013	453,642

18- OPERATING REVENUES

	2012	2011
Real estate revenues		
Rents revenues	12,196,187	10,977,454
Gain on sale of properties	2,058,061	888,578
Gain from change in fair value of investment properties (note 6)	1,955,124	5,065,230
	16,209,372	16,931,262
Services activities revenues	254,001	57,000
Entertainment activities revenues	2,732,289	2,610,964
	19,195,662	19,599,226

19- OPERATING COSTS

	2012	2011
Staff costs	1,203,602	840,125
Security and cleaning	642,405	564,532
Depreciation (note 5)	639,124	593,902
Investment properties management fees	360,000	445,200
Publicity and advertisement	196,306	377,298
Maintenance fees	447,970	353,539
Electricity and water	411,394	178,987
Insurance	67,016	51,248
Rents	37,478	37,478
Others	419,648	351,197
	4,424,943	3,793,506

20- INVESTMENTS INCOME

	2012	2011
Gain from sale of available for sale investments	9,505,599	-
Dividends income from available for sale investments	216,242	186,479
	9,721,841	186,479

21- GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
Staff costs	1,394,361	1,403,571
Professional and consultancy fees	258,194	297,304
Depreciation (note 5)	260,564	256,084
Donations	71,545	70,190
Transportation and accommodation expenses	29,503	32,417
Maintenance fees	19,893	21,851
Rents	26,757	17,455
Subscription fees	6,057	12,175
Foreign currency differences	3,734	30,804
Other expenses	528,727	478,264
	2,599,335	2,620,115

22- NET FINANCE COST

	2012	2011
Debit Interest on loans and bank facilities	4,288,148	4,860,406
(Less):		
Capitalized interest on illegal assets	(392,503)	(857,479)
Credit interest on deposits	(14,166)	(62,688)
Net finance cost	3,881,479	3,940,239

The weighted average of capitalized interest on illegal assets during year 2012 is 4.94% annually (5.21% for year 2011).

23- STAFF COSTS

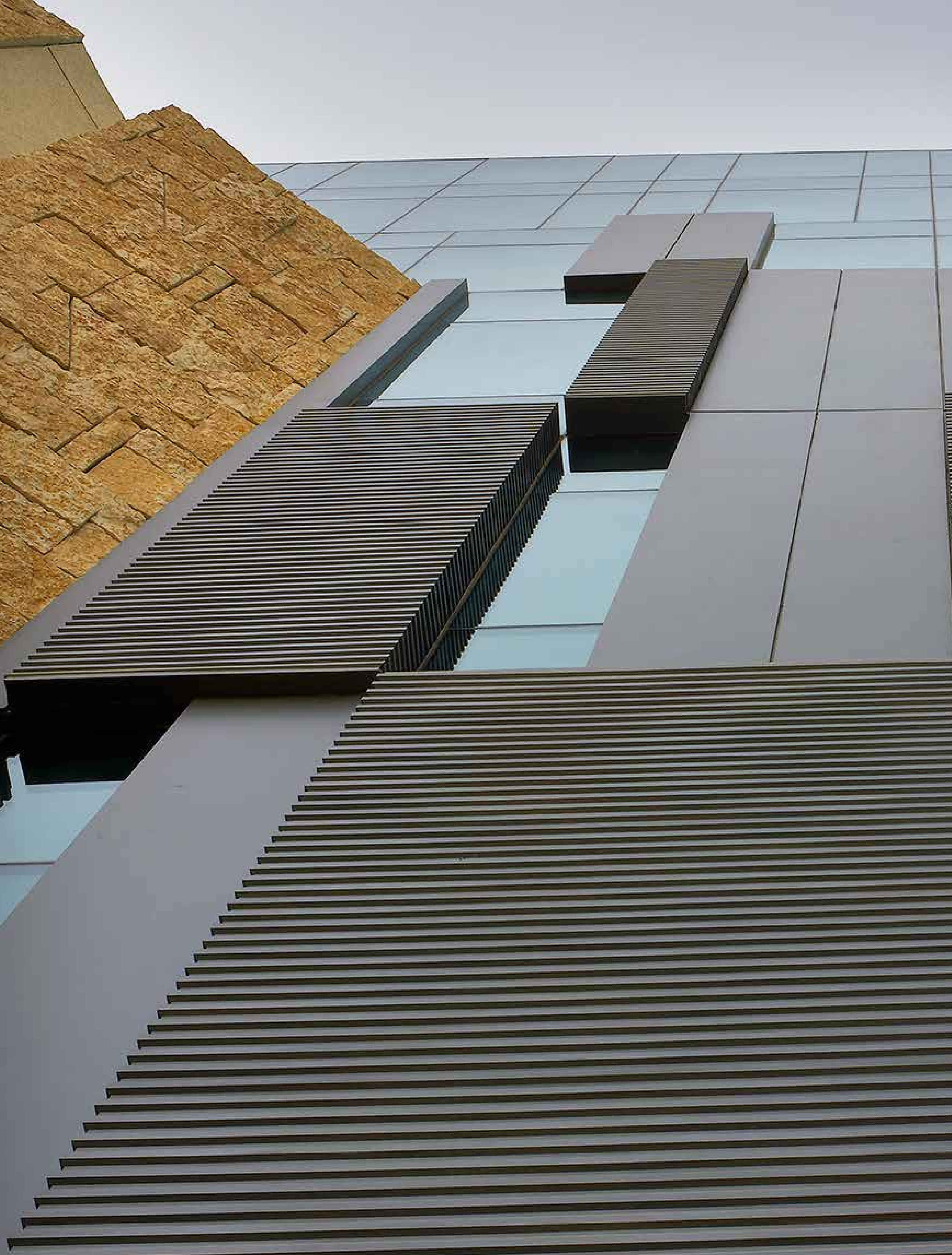
	2012	2011
Salaries and wages	1,652,296	1,501,334
Bonuses and benefits	528,813	518,726
Leave expenses	239,335	137,112
Post employment benefits	177,519	86,524
	2,597,963	2,243,696
Number of employees (employee)	295	247

24- PROVISIONS AND IMPAIRMENT

	2012	2011
Impairment of available for sale investments	1,591,827	-
Impairment of trade and other receivables	71,411	4,444,544
Provision for claims	3,800,000	-
	5,463,238	4,444,544

25- KUWAIT FOUNDATION ADVANCEMENT OF SCIENCE

	2012	2011
Net profit before deductions	7,285,318	5,266,432
Provided for statutory reserve by 10%	(728,532)	(526,643)
Gain from subsidiary and associate previously calculated as per law	(747,922)	(636,309)
	5,808,864	4,103,480
Contribution to KFAS by (1%)	58,089	41,035



26- RELATED PARTIES TRANSACTIONS

In the Group's ordinary course of business, there are some transactions with related parties (who represent major shareholders, managers and companies owned or being influenced by those managers). Conditions and prices of those transactions have been approved by the Group's management. The following is the major transactions and the related balances:

	2012	2011
Transactions with related parties		
Rents	3,027,358	2,293,979
Gains from available for sale investments	42,000	40,000
Key management compensation	165,049	142,615
Impairment of due from related parties	-	3,753,743
Sale of projects in progress	-	2,059,785
Acquisition and sale of lands held for trading	8,736,636	8,937,760
Acquisition of investment in an associate	500,000	-
Losses from acquisition of investment in an associate	106,597	-
Sale of share in subsidiaries	50,000	-
Acquisition of property and equipment	165,084	-

	2012	2011
Balances arising from transactions		
Due from Related parties (note 9)	2,398,556	6,271,757
Cash in investment portfolio (note 11)	181,316	268,457
Due to related parties (note 16)	1,769,613	7,474,696

Transactions with related parties are subject to the approval of the General Assembly of the Shareholders.

27- SALE OF SHARE IN A SUBSIDIARY

During the year 2012, the Group has sold 0.35%, 2% of the Group's investment share in Tamdeen Entertainment Company, and GLA Real Estate Management (subsidiaries) respectively to related parties. An accumulated loss from disposal of this part from investment was KD 3,308.

28- FUTURE COMMITMENTS AND CONTINGENT LIABILITIES

	2012	2011
Estimated capital expenditure contracted for at the financial position date	3,065,041	2,794,277
Uncalled share capital from investments in associates	1,240,000	745,000
Letters of guarantees commitments	400,000	400,000