ANNUAL REPORT 2013

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


Coffee

CONTENTS

BOARD MEMBERS | 6

EXECUTIVE MANAGEMENT | 6

CHAIRMAN'S LETTER | 8

INDEPENDENT AUDITOR'S REPORT | 10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION I 12

CONSOLIDATED STATEMENT OF INCOME I 13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME I 14

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY I 15

CONSOLIDATED STATEMENT OF CASH FLOWS I 16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS I 18

BOARD MEMBERS

Mohammad Jassim Al Marzouq
CHAIRMAN

Osama Abdulatif Alabd Al Jaleel
VICE CHAIRMAN

Shavak Srivastava
BOARD MEMBER

Tareq Abdulmohsin Al Julaibi
BOARD MEMBER

Mohammad Mostafa Al Marzouq
BOARD MEMBER

EXECUTIVE MANAGEMENT

Ahmad Abdulaziz Al Sarawi
CEO

Rachid Kazma
GM - PROJECTS

Mohammed Metwally
GM - DEVELOPMENT

Tamer Ali Ayoub
DEPUTY FINANCE MANAGER


Spicy

CHAIRMAN'S LETTER

HONORABLE SHAREHOLDERS

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

FOR MYSELF AND ON BEHALF OF MY COLLEAGUES ON THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT OF THE COMPANY, IT GIVES A GREAT PLEASURE TO PRESENT TO YOU THE BOARD'S ANNUAL REPORT ON THE COMPANY'S BUSINESS FOR THE FINANCIAL YEAR ENDED 31 DEC. 2013.

HONORABLE SHAREHOLDERS,

2013 was a year of momentous economic events at the local, regional and international levels. The Kuwaiti economy continued to grow at the rate of 4.5%, driven by increased oil revenues, while inflation was within the range of 2.7 – 2.9% for the year amidst positive expectations of a strong budget surplus. A new companies law and its executive by-law were issued during year, and we hope this will strengthen business environment and drive economic growth in the country. The law allowed existing companies one Gregorian calendar you to regularize their status and comply with the new provisions, and this is what your company is in the process of doing, as we are proposing to the General Assembly several changes to the Articles of Association of the company in line with the new law.

HONORABLE SHAREHOLDERS,

From the moment you entrusted us last year with leading the company during the present phase of its history, the Board of Directors has been focusing on a number of strategic targets, building on the achievements of the former Board of Directors. Those targets included the following:

1. To maximize return on the income-generating assets by seeking and optimizing the use of those assets.

2. To conduct a careful review of the operating costs items in order to discontinue those that are not important, thereby improving the profitability of the assets.

3. To classify the existing assets and current projects of the company with a view to drawing the most appropriate policy for each asset.

4. To obtain financing offers at competitive rates and re-negotiate interest rates and the security required.

5. To adopt a more selective and prudent policy upon initiating new investments.

6. To take such precautions as may be possible against probable risks or losses the company may be exposed in the future.

The Board of Directors proceeded to implement this policy from the time it was elected and continues to do so, with a view to maximize benefits for our shareholders.

HONORABLE SHAREHOLDERS,

The year 2013 was a focal point and provided a platform for rejuvenating its progress with several major achievements:

1. Total assets rose to KD 236,926,827 compared to KD 232,426,039 in the previous year.

2. Shareholders equity (the majority equity) rose to KD 132,797,128 compared to KD 128,513,835 in 2012.

3. Net profits amounted to KD 8,204,549 in 2013 against a net profit of KD 7,126,579 in the previous year.

4. Operating revenues rose to KD 19,341,936 from KD 19,195,662 the previous year. The increase is attributed to the revenues from the three commercial malls (360 Mall, Sama Salmiya and Sama Sulaibkhat Malls) in addition to the entertainment revenues of the subsidiary company.

5. Over all, the performance of the affiliate and subsidiary companies was better in 2013 than it had been in the previous year. Specifically, Tamdeen Entertainment Company achieved outstanding revenues this year, while Fucom Central Markets Company the owner of the Géant Trade Mark, achieved good profits. Both Three Sixty Style and GLA Property Management companies achieved good operating results.

HONORABLE SHAREHOLDERS

The achievements made during the first year of the term of the present board of directors will be followed by further steps that, we hope, will bring better results and contribute more to strengthening the financial position of the company. We are in the process of drawing future plans to ensure that our business results in the coming years will fulfill your ambitions. The following points provided at look into the near future of your company:

- We envision that the company will start work this year on the revised "The Eight" project in Sabah Al-Salem, which consists of restaurants, cafés and retail shops.

- The company will start work on the Jahra Project, a commercial center in the Jahra area that consists of an administrative tower and retail shops.

- We hope to receive a clear confirmation this year from the main developer of the Areen Project in the Kingdom of Bahrain. The company holds a 59% interest in the company which owns the land of the project.

- The company is currently studying certain schemes and examining other local real estate opportunities. The results will be placed before the Board of Directors for a decision.

The Board of Directors has recommended the payment of cash dividends of 5%, equal to 5 fils per share to shareholders. The Board of Directors has also recommended a compensation package of KD 50,000 (Kuwaiti dinars fifty thousand only) to the members of the board. These recommendations are subject to the approval of the General Assembly of shareholders.

HONORABLE SHAREHOLDERS

I would like to take this opportunity, for myself and on behalf of the Board of Directors, to present our deepest thanks and appreciation to His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al Sabah, to His Highness the Crown Prince, Sheikh Nawaf Al-Ahmed Al-Jaber Al Sabah and His Highness the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah.

I would also thank our esteemed shareholders for the confidence and support they extended to us. Equally, I wish to thank the members of the Board of Directors, and express special thanks to the company's employees for their valuable efforts and dedication which were quite instrumental in enabling the company to achieve the excellent results during year.

God is the guardian of success,,,

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

MOHAMMAD 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 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 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 Wazzan & Co.

Kuwait 4 February 2014

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 2013, 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, as amended, and of the Company's Articles and Memorandum of Association; that an inventory was duly carried out; and that to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or of the Company's Articles and Memorandum of Association have occurred during the financial year ended 31 December 2013 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 2013

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	NOTE	2013	2012
Assets			
Non-current assets			
Property, plant and equipments	5	23,552,807	24,084,161
Investment properties	6	133,100,000	131,000,000
Investment in associates	8	2,667,661	1,289,109
Intangible assets	9	284,537	-
		159,605,005	156,373,270
Current assets			
Lands held for trading	10	61,221,401	61,215,551
Inventories		302,849	258,363
Trade and other receivables	11	743,978	3,470,590
Available for sale investments	12	7,580,310	6,559,540
Cash at bank, on hand and investment portfolios	13	7,473,284	4,548,725
		77,321,822	76,052,769
Total assets		236,926,827	232,426,039
Equity and liabilities			
Equity			
Share capital	14	100,000,000	100,000,000
Share premium	14	14,000,000	14,000,000
Statutory reserve	15	2,281,522	1,441,213
Change in fair value reserve		1,058,257	2,987
Foreign currency translation reserve		518,486	490,913
Retained earnings		14,938,863	12,578,722
		132,797,128	128,513,835
Non-controlling interest		6,260,945	6,237,686
Total equity		139,058,073	134,751,521
Liabilities			
Non-current liabilities			
Islamic debt instruments	17	80,850,000	78,950,000
Post-employment benefits	19	727,173	563,013
		81,577,173	79,513,013
Current liabilities			
Islamic debt instruments	17	2,609,910	5,030,473
Trade and other payables	18	13,681,671	13,131,032
		16,291,581	18,161,505
Total liabilities		97,868,754	97,674,518
Total equity and liabilities		236,926,827	232,426,039

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

Mohammad Jassim Al Marzouq
Chairman

Osama Abdulatif Alabd Al Jaleel
Vice Chairman

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	NOTE	2013	2012
Revenues			
Operating revenues	20	19,341,936	19,195,662
Operating costs	21	(5,117,770)	(4,424,943)
Gross profit		14,224,166	14,770,719
Other income	22	985,685	687,611
General and administrative expenses	23	(3,292,254)	(2,599,335)
Other operating expense	24	(127,323)	(9,756,744)
Net (losses) / Gains from investments	25	(292,443)	8,130,014
Group's share from associates results	8	141,714	43,341
Losses from acquisition of an associate		-	(106,597)
Net finance costs	26	(3,232,360)	(3,881,479)
Profit for the year before deductions		8,407,185	7,287,530
Board of Directors remuneration		(50,000)	(36,670)
Contribution to KFAS	28	(65,632)	(58,089)
Zakat		(87,004)	(66,192)
Net profit for the year		8,204,549	7,126,579
Attributable to:			
Shareholders of the Company		8,200,450	7,124,367
Non-controlling interest		4,099	2,212
Net profit for the year		8,204,549	7,126,579

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	NOTE	2013	2012
Net profit for the year			
Other comprehensive income items		8,204,549	7,126,579
Items that could be reclassified later in the income statement:			
Transferred to statement of income on sale of available for sale investments		26,609	(3,391)
Impairment of available for sale investments	25	549,017	1,591,827
Change in fair value of available for sale investments		482,806	(938,156)
Foreign currency translation		46,733	144,610
Disposal of translation of financial statements of an associate		-	536,431
Group's share of associate's reserves	8	(3,162)	-
Total other comprehensive income items		1,102,003	1,331,321
Total comprehensive income for the year		9,306,552	8,457,900
Attributable to:			
Shareholders of the Company		9,283,293	8,396,398
Non-controlling interest		23,259	61,502
		9,306,552	8,457,900

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

(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 earnings	Total		
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	-	-	-	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
Balance as at 1 January 2013	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
Net profit for the year	-	-	-	-	-	8,200,450	8,200,450	4,099	8,204,549
Other comprehensive income items	-	-	-	1,055,270	27,573	-	1,082,843	19,160	1,102,003
Transferred to statutory reserve	-	-	840,309	-	-	(840,309)	-	-	-
Dividends (Note 16)	-	-	-	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)
Balance as at 31 December 2013	100,000,000	14,000,000	2,281,522	1,058,257	518,486	14,938,863	132,797,128	6,260,945	139,058,073

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	NOTE	2013	2012
Cash Flows from operating activities			
Net profit for the year		8,204,549	7,126,579
Adjustments for:			
Depreciation	5	930,079	899,688
Change the fair value of investments properties	6	(1,145,427)	(1,955,124)
Provisions & Impairment in value	24	99,619	3,871,411
Losses on disposal of property, plant and equipment's		27,704	5,885,333
Gain on sale of lands		-	(2,058,061)
Net Loss / (Gains) from available for sale investments	25	292,443	(8,130,014)
Group's share from associates results	8	(141,714)	(43,341)
Losses from acquisition of an associate		-	106,597
Net Finance costs	26	3,232,360	3,881,479
Post-employment benefits	19	190,566	177,519
Operating profit before changes in working capital		11,690,179	9,762,066
Inventories		(44,486)	(4,372)
Trade and other receivables		2,415,464	8,427,694
Trade and other payables		156,562	(6,222,534)
Cash generated from operating activities		14,217,719	11,962,854
Post-employment benefits paid	19	(23,541)	(57,618)
Net cash generated from operating activities		14,194,178	11,905,236
Cash flows from investing activities			
Paid for acquisition of property, plant and equipment's		(166,868)	(1,175,435)
Paid for construction and development of investment properties		(539,539)	(1,972,889)
Paid for acquisition of land held for trading		(5,850)	(27,103,076)
Proceeds from sale of land held for trading		-	8,258,833
Paid for acquisition of intangible assets		(214,141)	-
Paid for acquisition of available for sale investments		(1,052,695)	(1,432,557)
Proceeds from sale of available for sale investments		515,107	27,890,115
Paid for acquisition of an associate	8	(1,240,000)	(500,000)
Proceeds from sale of share in subsidiaries		-	40,000
Cash dividends received		282,807	216,242
Net cash (used in)/ generated from investing activities		(2,421,179)	4,221,233
Cash flows from financing activities			
Net paid from finance costs		(3,652,923)	(4,688,851)
Net paid from Islamic debt instruments		(100,000)	(13,500,000)
Cash dividends paid		(4,930,800)	-
Net cash used in financing activities		(8,683,723)	(18,188,851)
Net increase / (decrease) in cash and cash equivalents		3,089,276	(2,062,382)
Cash and cash equivalents at the beginning of the year		3,984,008	6,046,390
Cash and cash equivalents at the end of the year	13	7,073,284	3,984,008

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.

These consolidated financial statements include the financial statements of the Company and its subsidiaries (Note 7) (together referred to as "the Group").

The financial statements were authorized for issue by the Board of Directors on 4 February 2014.

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 properties and financial instruments that are measured at fair values, as explained in the accounting policies below.

2.1.1 New and revised standards

In the current year, the Group has applied a number of new and revised IFRSs that are issued and effective for accounting periods that begin on or after 1 January 2013.

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement to similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

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 performance of the Group or its financial position.

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. Under IFRS 11, there are only two types of joint arrangements (a) joint ventures and (b) joint operations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Investment in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from sale of the output by the operation) and its expenses (including its share of expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards. The adoption of this standard has no impact on the performance of the Group or its financial position.

IFRS 12 DISCLOSURE OF INTEREST IN OTHER ENTITIES

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of this standard resulted in more extensive disclosures in the consolidated financial statements (see notes 7 & 8).

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 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. Fair value under this standard is an exit price regardless of whether price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements (note 3.3).

Other than the additional disclosures, the application of the standard has not had any material impact on the amounts recognised in the consolidated financial statements.

IAS 1 PRESENTATION OF FINANCIAL STATEMENT

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 performance of the Group or its financial position. The amendments have been applied retrospectively, and hence the presentation of other comprehensive income has been modified to reflect the changes.

New and revised IFRSs in issue but not yet effective.

FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2014

AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 27 INVESTMENT ENTITIES

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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 Group does not anticipate that the application of these amendments will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

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 controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

The company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. 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 the Group's accounting policies.

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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. 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 under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 re-measured 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 & 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. 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 results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture 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 or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

2.2.2 PROPERTY, PLANT AND EQUIPMENTS

Property, plant and equipment 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.

2.2.3 INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.2.4 INVESTMENT 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.

2.2.5 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. 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). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated income statement 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 immediately in profit or loss.

2.2.6 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 and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. The Group has determined the classification of its financial assets as follows:

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 bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

AVAILABLE FOR SALE (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.
The financial assets available for sale is 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. When 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 have been 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.

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 party.

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 and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

DERECOGNITION

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

2.2.7 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.

2.2.8 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.

2.2.9 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.

2.2.10 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 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.

2.2.12 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.

2.2.13 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.

2.2.14 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.

2.2.15 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.

2.2.16 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.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group currently does not use derivative financial instruments to manage the risks that it may be exposed to.

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

Foreign exchange 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 currently is not exposed to this risk due to concentration of monetary assets and liabilities in Kuwaiti dinar.

The foreign exchange risk arises from future expected transaction by foreign currency of financial instrument recorded and evaluated at the date of consolidated financial statement.

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

Cash Flow and fair value interest rate risk.

Cash Flow and fair value 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 risk of fluctuation in cash flows as it holds Islamic debt instruments embedded with variable finance cost.

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

- Time deposits (note 13).
- Islamic debt instruments (note 17).

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 study in regular basis all the income data related to the interest rate to determine the probability of changes in interest rates and the effect of such changes in the cash flow of the Group and the net profit in order to take the necessary actions in the timely manner.

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.

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 & due from related parties. The Group manages this risk by placing cash with high credit rating banks.

For credit risk of trade receivables the Group transacting with customers having good reputation and strong financial positions, in addition obtaining securities deposits from tenant.

For credit risk of related parties, these parties have a good credit reputation in the market and there is a contractual terms with these parties for payment of due balances.

The management of the Group believes that the maximum exposure to credit risk as at 31 December is as follows:-

	2013	2012
Trade and other receivables (Note 11)	915,008	3,542,001
Cash at bank and investment portfolios (Note 13)	7,472,526	4,547,875

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 2013:

Liabilities	1 - 3 Months	3 months - 1 year	1 - 2 years	2 – 7 years
Trade payables	807,450	8,535,500	-	-
Islamic debt instruments	1,514,750	2,573,759	4,459,603	89,945,625

The following are the financial commitments maturity dates as at 31 December 2012:

Liabilities	1 - 3 Months	3 months - 1 year	1 - 2 years	2 – 5 years
Trade payables	742,924	8,080,982	-	-
Islamic debt instruments	1,940,986	4,692,575	6,188,000	80,734,548

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 2013 and 2012 were as follows:

	2013	2012
Total Islamic debt instruments	83,459,910	83,980,473
Less : Cash at bank, on hand and investment portfolios (note 13)	(7,473,284)	(4,548,725)
Net debt	75,986,626	79,431,748
Total equity	139,058,073	134,751,521
Total capital	215,044,699	214,183,269
Gearing ratio %	35.34	37.09

3.3 FAIR VALUE ESTIMATION

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

Level one: Quoted prices in active markets for financial instruments.

Level two: Quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.

Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of the financial assets are determined.

	Fair Value as at						
	31 Dec. 2013	31 Dec. 2012	Valuation Date	Fair Value Hierarchy	Valuation Techniques and Key Inputs	Significant Unobservable Inputs	Relationship of unobservable inputs to fair value
Available for sale investments							
Investment in local quoted shares	5,095,059	4,114,796	31/12/2013	Level 1	Quoted Bid Price in Active Market	None	None
Investment in local funds	-	1,012,189	31/12/2013	Level 3	Technical evaluation	Book Value adjusted with market risk	The higher market risk the lower the fair value

The fair values of other financial assets and financial laibilities which are not measured at fair value on ongoing basis equal approximately their carrying values.

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 tangible, intangible assets and inventory

The Group reviews tangible, intangible assets and inventory 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.

Impairment of associates

Estimation of impairment of an associate is made when there is an indicator for this impairment. The assessment is made for the entire carrying amount of the Group's investments in associate including goodwill. Accordingly, impairment testing of goodwill is not prepared independently. Impairment and reversal of those losses are recognized in the consolidated statement of income.

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.

Impairment of receivables

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period, change in global and local economies which led the customers to default in payment. Impairment of receivables is recorded for receivables when there is a certainty that these other parties will not be able to pay according to the contractual agreement.

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

	Buildings & constructions	Games, machinery & equipment	Furniture, fixtures & computers Vehicles	Projects in progress	Total
Cost					
As at 1 January 2012	6,331,308	4,660,392	1,382,071	34,442,586	46,816,357
Foreign currency differences	-	-	-	142,669	142,669
Additions	33,817	51,441	235,368	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 (note 6)	-	-	-	(10,956,086)	(10,956,086)
As at 31 December 2012	6,368,214	4,683,860	1,327,158	18,807,395	31,186,627
Foreign currency differences	-	-	-	46,136	46,136
Additions	4,091	163,153	44,593	217,600	429,437
Disposals	-	(56,809)	-	(2,809)	(59,618)
Transferred from projects in progress	-	34,326	26,655	(60,981)	-
Transferred to investment properties (note 6)	-	-	-	(49,144)	(49,144)
As at 31 December 2013	6,372,305	4,824,530	1,398,406	18,958,197	31,553,438
Accumulated depreciation and impairment					
As at 1 January 2012	442,340	891,839	268,720	4,663,229	6,266,128
Depreciation for the year	279,765	456,423	163,500	-	899,688
Disposals	-	(32,460)	(30,890)	-	(63,350)
As at 31 December 2012	722,105	1,315,802	401,330	4,663,229	7,102,466
Depreciation for the year	278,518	487,534	164,027	-	930,079
Disposals	-	(31,914)	-	-	(31,914)
As at 31 December 2013	1,000,623	1,771,422	565,357	4,663,229	8,000,631
Net book value					
As at 31 December 2013	5,371,682	3,053,108	833,049	14,294,968	23,552,807
As at 31 December 2012	5,646,109	3,368,058	925,828	14,144,166	24,084,161
Useful lives / year	20-50	4-25	4-5		

6- INVESTMENT PROPERTIES

Balance as of 31 December is represented as follows:

	2013	2012
Balance at the beginning of the year	131,000,000	115,350,225
Transferred from property and equipments (note 5)	49,144	10,956,086
Additions	905,429	2,738,565
Change in fair value (Note 20)	1,145,427	1,955,124
	133,100,000	131,000,000

Part of investments properties pledged for local banks against Islamic debt instruments (note 17).

7- INVESTMENT IN SUBSIDIARIES

These consolidated financial statements include the financial statements of Tamdeen Shopping Centers Company - KSCC and the following subsidiaries (together referred to as "the Group").

			Ownership percentage %	
	Country of incorporation	Activity	31 December 2013	31 December 2012
Tamdeen Entertainment Co. KSCC	Kuwait	Entertainment	99.65	99.65
GLA for property management - WLL	Kuwait	Services	98.00	98.00
Tamdeen Bahraini Real Estate Co. BSCC	Bahrain	Real Estate	59.00	59.00

As indicated above, the company fully controlled most of its subsidiaries and the only significant non-controlling interest appears in Tamdeen Bahraini Company. Non-controlling interest own 41% of Tamdeen Bahraini Company shares as at 31 December 2013 & 2012.

Total assets and liabilities of Tamdeen Bahraini company amounted to KD 15,147,513, KD 42,069 respectively as at 31 December 2013 (KD 15,095,740, KD 30,455 respectively as at 31 December 2012).

The revenues and net loss of the company's amounted to KD 4,357, KD 6,576 respectively for the year ended 31 December 2013 (KD 570 KD 13,167 respectively for the year ended 31 December 2012).

8- INVESTMENT IN ASSOCIATES

		Ownership percentage%			
	Activity	2013	2012	2013	2012
Three Sixty Style Company (KSCC)	Trade	50	50	518,145	494,874
Al-Maysam Combined General Trading Co. (WLL- Kuwait)	Trade	36	40	1,600,702	362,298
Fu-com Central Market Company – KSCC	Trade	24.67	24.67	344,854	223,174
Tamdeen for Housing Company - KSCC	Real estate	20	20	203,960	208,763
				2,667,661	1,289,109

Movements of investments in associates during the year represented in:

	2013	2012
Balance as at 1 January	1,289,109	20,295,774
Establishing, acquisition and capital increase of an associate	1,240,000	500,000
Group's share from associates' results	141,714	43,341
Losses from acquisition of an associate	-	(106,597)
Disposals of associates	-	(19,443,409)
Group's share from an associate reserves	(3,162)	-
Balance as of 31 December	2,667,661	1,289,109

The Group Shares are in un-listed associates.
Following are the assets, liabilities, revenues and Comprehensive income/ (loss) of the associate as at 31 December:

	2012			
	Assets	Liabilities	Revenues	Comprehensive income / (loss)
Three Sixty Style Company KSCC	2,200,512	1,210,764	3,191,951	345,834
Al-Maysam Combined General Trading Company (WLL - Kuwait)	1,007,400	1,016	-	(1,074)
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)

	2013			
	Assets	Liabilities	Revenues	Comprehensive income / (loss)
Three Sixty Style Company KSCC	2,403,038	1,366,748	3,627,900	46,542
Al-Maysam Combined General Trading Company (WLL - Kuwait)	4,005,965	4,211	-	(4,630)
Fu-com Central Market Company KSCC	10,543,300	9,145,242	42,376,192	493,295
Tamdeen for Housing Company KSCC	1,038,178	18,377	-	(24,012)

9- INTANGIBLE ASSETS

Intangible assets represents an ownership of a usufruct of a foreign trade mark acquired during 2013. The useful life of this usufruct is ten years.

10- LANDS HELD FOR TRADING

Movement of lands held for trading are as follows:

	2013	2012
Balance at the beginning of the year	61,215,551	47,385,214
Additions	5,850	27,103,076
Disposals	-	(13,272,739)
	61,221,401	61,215,551

Lands held for trading includes land amounted to KD 27,103,076 as at the financial statement date owned by primary contracts and currently recoding is in process.

11- TRADE AND OTHER RECEIVABLES

	2013	2012
Trade and notes receivables	266,722	287,930
Other receivables		
Advance payments to purchase properties and equipment	134,572	435,073
Prepaid expenses	85,818	148,934
Staff receivables	105,098	94,671
Margin of letters of guarantee	14,000	14,000
Due from related parties (note 29)	109,712	2,398,556
Others	199,086	162,837
	648,286	3,254,071
Impairment of receivables	(171,030)	(71,411)
	477,256	3,182,660
	743,978	3,470,590

- As at 31 December 2013, trade receivable not due amounted to KD 248,596 (KD 269,804 as at 31 December 2012).
- As at 31 December 2013, trade receivable due and not collected but not impaired amounted to KD 18,126 (KD 18,126 as at 31 December 2012).
- The movement on the provision of trade and other receivables are represented in the following:

	2013	2012
Balance at the beginning of the year	71,411	4,444,544
Provision formed during the year	99,619	71,411
Used	-	(4,444,544)
Balance as at 31 December	171,030	71,411

12- AVAILABLE FOR SALE INVESTMENTS

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

	2013	2012
Investment in quoted shares	5,095,059	4,114,796
Investment in un-quoted shares	2,485,251	1,432,555
Investment funds	-	1,012,189
	7,580,310	6,559,540

- Investment in un-quoted shares was recognized at cost less impairment due to lack of an active market for such investments.
- Fair value has been determined according to the basis described at note 3.3.

13- CASH AT BANK, ON HAND AND INVESTMENT PORTFOLIOS

	2013	2012
Cash on hand	758	850
Banks - current accounts	7,242,910	4,142,434
Time deposits	229,349	224,125
Cash at investment portfolios	267	181,316
Total cash at bank, on hand and investments portfolios	7,473,284	4,548,725
(Less):		
Hold accounts against letters of guarantee	(400,000)	(400,000)
Cash pledged for a local bank against loans and bank facilities	-	(164,717)
Cash and cash equivalents	7,073,284	3,984,008

The actual average interest rate on deposits was 1% at 2013 (1.5% at 2012).

14- 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 2013 and 2012.

SHARE PREMIUM

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

15- STATUTORY RESERVE

In accordance with the Company's law & Company's memorandum 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.

16- DIVIDEND

- On 21 April 2013, Shareholders' Ordinary General Assembly Meeting approved the financial statements for the year ended 31 December 2012 and approved cash dividends at 5% from the share's nominal value equivalent to 5 fils per share.

- On 4 February 2014, 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.

17- ISLAMIC DEBT INSTRUMENTS

	2013	2012
Non-current	80,850,000	78,950,000
Current	2,609,910	5,030,473
	83,459,910	83,980,473
Cost rate %	3.96	4.94

- The non-current portion of Islamic debt instruments is due during periods ranging between 2 to 7 years.

- Islamic debt instruments are granted from local banks against the following guarantees:

	2013	2012
Investment properties	114,000,000	131,000,000
Projects in progress	-	3,442,486
Land held for trading	-	5,755,836
Available for sale investments	-	3,447,402
Cash at investment portfolios	-	164,717
	114,000,000	143,810,441

In addition to Joint guarantee from Kuwait National Cinema Company (shareholder of 30%), and Tamdeen Real Estate Company (shareholder of 30%). subsequent to financial statements date Groups' management have canceled these Joint guarantee.

18- TRADE AND OTHER PAYABLES

	2013	2012
Trade payables	1,176,934	627,744
Refundable deposits	3,443,195	3,440,951
Claims provision	3,800,000	3,800,000
Staff bonuses and accrued expenses	1,738,384	1,098,542
Retention	455,309	607,818
Due to related parties (note 29)	859,159	1,769,613
Leave provision	265,338	239,311
Deferred rental income	895,526	866,175
Dividends payable	69,200	-
Others	825,990	556,597
KFAS	65,632	58,089
Zakat	87,004	66,192
	13,681,671	13,131,032

19- POST-EMPLOYMENT BENEFITS

	2013	2012
Balance as at 1 January	563,013	453,642
Charged to statement of income (Note 27)	190,566	177,519
Paid	(23,541)	(57,618)
Transferred to related parties	(2,865)	(10,530)
Balance as at 31 December	727,173	563,013

20- OPERATING REVENUES

	2013	2012
Real estate revenues		
Rents revenues	14,996,455	12,196,187
Gain on sale of lands	-	2,058,061
Change in fair value of investment properties (note 6)	1,145,427	1,955,124
	16,141,882	16,209,372
Services activities revenues	279,000	254,001
Entertainment activities revenues	2,921,054	2,732,289
	19,341,936	19,195,662

21- OPERATING COSTS

	2013	2012
Staff costs	1,702,085	1,203,602
Security and cleaning	633,498	642,405
Depreciation (note 5)	640,602	639,124
Investment properties management fees	480,000	360,000
Publicity and advertisement	306,023	196,306
Maintenance fees	489,672	447,970
Electricity and water	379,145	411,394
Insurance	65,026	67,016
Rents	37,478	37,478
Others	384,241	419,648
	5,117,770	4,424,943

22- OTHER INCOME

	2013	2012
	602,616	
Engineering consults and real estate project management	350,789	273,227
Car Parking	32,280	356,284
Other	985,685	58,100
		687,611

23- GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
Staff costs	1,645,609	1,394,361
Professional and consultancy fees	265,609	258,194
Depreciation (note 5)	289,477	260,564
Donations	63,000	71,545
Travel and accommodation expenses	14,198	29,503
Maintenance fees	22,200	19,893
Rents	21,513	26,757
Other expenses	970,648	538,518
	3,292,254	2,599,335

24- OTHER OPERATING EXPENSE

	2013	2012
Impairment of trade and other receivables	99,619	71,411
Losses from sale of property plant and equipment’s	27,704	5,885,333
Provision for claims	-	3,800,000
	127,323	9,756,744

25- NET (LOSSES)/ GAINS OF INVESTMENTS

	2013	2012
(Loss)/ gain from sale of available for sale investments	(26,233)	9,505,599
Dividends income from available for sale investments	282,807	216,242
Impairment of available for sale investments	(549,017)	(1,591,827)
	(292,443)	8,130,014

26- NET FINANCE COST

	2013	2012
Finance cost on Islamic debt instruments	3,256,123	4,288,148
(Less):		
Capitalized interest on qualified assets	-	(392,503)
Credit interest on deposits	(23,763)	(14,166)
Net finance cost	3,232,360	3,881,479

27- STAFF COSTS

	2013	2012
Salaries and wages	2,336,038	1,652,296
Bonuses and benefits	553,940	528,813
Leave expenses	267,150	239,335
Post-employment benefits (Note 19)	190,566	177,519
	3,347,694	2,597,963
Number of employees (employee)	303	295

28- KUWAIT FOUNDATION ADVANCEMENT OF SCIENCE

	2013	2012
Net profit before deductions	8,403,086	7,285,318
Provided for statutory reserve by 10%	(840,309)	(728,532)
Gain from subsidiary and associate previously calculated as per law	(999,568)	(747,922)
	6,563,209	5,808,864
Contribution to KFAS by (1%)	65,632	58,089

29- 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:

	2013	2012
Transactions with related parties		
Rents	3,132,391	3,027,358
Gains from available for sale investments	47,000	42,000
Key management compensation	140,942	165,049
Acquisition of investment in an associate	1,240,000	500,000
Acquisition of available for sale investments	1,052,695	-
Acquisition and sale of lands held for trading	-	8,736,636
Losses from acquisition of investment in an associate	-	106,597
Sale of share in subsidiaries	-	50,000
Acquisition of property and equipment	-	165,084

	2013	2012
Balances arising from transactions		
Due from Related parties (note 11)	109,712	2,398,556
Cash in investment portfolio (note 13)	267	181,316
Due to related parties (note 18)	859,159	1,769,613
Key management benefits- long term	108,088	91,857
Key management benefits- short term	52,500	33,461

In addition to above, an investment portfolio managed by a related party on behalf of the Group. Book value of investment portfolio amounted KD 5,095,059 as at 31 December 2013 (KD 4,114,796 as at 31 December 2012)

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

30- FUTURE COMMITMENTS AND CONTINGENT LIABILITIES

	2013	2012
Estimated capital expenditure contracted for at the financial position date	2,844,984	3,065,041
Uncalled share capital from investments in associates	-	1,240,000
Letters of guarantees commitments	400,000	400,000