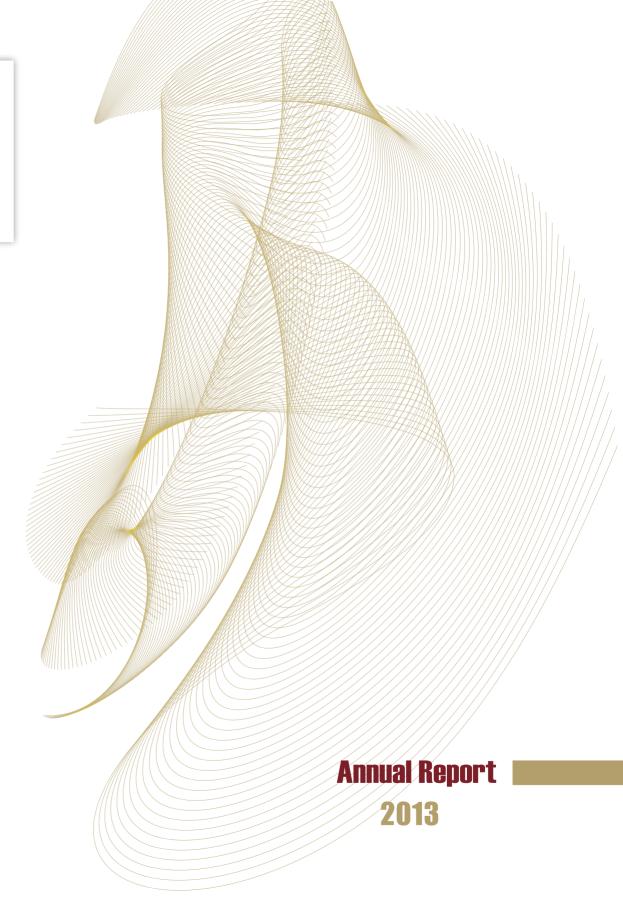


شركة أعيان للإجارة و الاستثمار A'AYAN LEASING & INVESTMENT CO.









H.H Sheikh Sabah Al-Ahmed Al-Sabah

Prince Of The State Of Kuwait



H.H Sheikh Nawaf Al-Ahmed Al-Sabah

Crown Prince Of The State Of Kuwait

# **FATWA AND SHARIA SUPERVISORY BOARD**

Sheikh Prof. Sayed Mohammad A. Al-Tabtabae Chairman of Fatwa and Sharia Supervisory Board

**Sheikh Prof. Ahmad H. Al-Kurdi**Fatwa and Sharia Supervisory Board Member

**Sheikh Prof. Ajeel J. Al-Nashmi**Fatwa and Sharia Supervisory Board Member



# **BOARD OF DIRECTORS**

Mr. Fahad Ali M. Thunayan Al-Ghanim Chairman

Mr. Abdulaziz Nasser Al-Marzoq Deputy Chairman

Mr. Mansour Hamad Al-Mubarak Member of the Board & CEO

Mr. Talal Reda Behbehani Member

Mr. Reyad Nasser Al-Bader Member

Mr. Nasser Ibrahim Borousli Member

Mr. Khalid Bader Al-Romi Member

# **CHAIRMAN'S STATEMENT**

In the Name of Allah, Thanks be to Allah and Prayers and Peace Be Upon His Prophet.

Dear Shareholders; May the Peace, Mercy, and Blessings of Allah be upon you.

It is my pleasure to welcome you at the general assembly meeting, and to present to your esteemed persons the annual report of A'ayan Leasing and Investment Co. for the fiscal year ending at December 31, 2013, in addition to the Fatwa and Sharia Supervisory Committee report and the auditors' report, plus the financial statement of fiscal year ending December 31st, 2013.

I will also review with you the most important economic developments affecting the company's business and performance.

The following is a comparative table of key financial indicators:

ltem	December 2013	December 2012	Change Percentage
	Thousands KD	Thousands KD	
Total Assets	336,482	413,084	-19%
Total Liabilities	233,535	342,539	-32%
Payable Murabahat for Parent Company	179,820	267,722	-33%
Total Liabilities of Parent Company	194,394	291,345	-33%
Equity of Shareholders of Parent Company	58,025	24,791	134%
Non-controlling Interests	44,922	45,753	-2%
Total Income	47,472	30,399	56%
Total Expenses	52,236	51,563	1%
Profit for the Year	19,261	1,854	939%
(Share Profit (Fils	28,42	3,63	683%

From the information explained in the above table, you can see that the company was able to reduce its debt by about KD 88 million, and continued to achieve profits leading to a significant increase in shareholder`s equity.

Aayan accomplished a number of important achievements during 2013 and began to walk in the path of recovery from the crisis it experienced in the previous years, looking forward into the promising future.

In the context of company's strategy and the new business plan agreed upon with the creditors' committee the company commenced focusing on its main activity in the field of leasing; and concluded the restructuring of the real estate sector, and the investment sector leading to increased profitability, enhancement of company assets and debt ratio, in addition to doing whatever possible to support shareholders equity, strengthening the financial position of the company and attaining reasonable profits for shareholders.

Furthermore, we expect Aayan to continue achieving profitability through operational work of the company's various sectors after the disposal of the burdens of the previous phase and embark in the implementation of the new business plan after the completion of the restructuring of its debt and its different sectors to become more flexible and focused at the same time, and to concentrate on completion of the action plan agreed upon with creditors for the best interest of shareholders and creditors alike.

I would also like to express my appreciation and gratitude to the members of Fatwa and Shari'a Supervisory Board, and to members of the Board of Directors, for their sincere efforts during the previous fiscal year, as well as to the executive management and all employees of the company.

May Allah grant us success,,,

Fahad Ali M. T. Al-Ghanim Chairman of the Board





# **Fiscal 2013 Activities Report**

# In the Name of Allah, the Most Merciful, the Most Compassionate, and Thanks are to Allah and Prayers and Peace Be Upon His Prophet.

Dear Shareholders; May the Peace, Mercy, and Blessings of Allah be upon you. On behalf of the Executive Management of Aayan Leasing and Investment Company, I have the honor to review with you a report of your company's business activities and achievements during its fifteenth fiscal year, and to cover the new local and regional economic developments.

Efforts of the Board of Directors and the Executive Management resulted in signing with almost all of the remaining creditors on the complementary agreements to restructure the debt and thus all the essential elements of restructuring, with the exception of swapping assets by KD 16.5 million which is planned to be completed in 2014, has been completed and its financial implications reflected at the company as it became in a healthy position allowing it to achieve its strategy to raise the level of work.

In the context of the debt restructuring plan, the remaining creditors successfully subscribed in the capital increase despite the difficult circumstances where almost 99.8% of creditors participated for a total subscription amount of nearly 15 million Kuwaiti dinars.

Company profitability has increased dramatically in comparison with last year>s profit; as company profits reached nearly KD 20 million, with share profit of 28 Fils compared with 3.63 Fils for fiscal year 2012, and at the same time shareholders equity increased by \*\*\*% compared with fiscal year 2012.

It is worth mentioning that the management efforts in completing the restructuring process contributed significantly into 2013 profitability, in addition to the huge increase in operational profits, which was increase by 56% compared to 2012. On the other hand, the company debts decreased by KD 88 million compared with 2012 as a result of the restructuring process.

As for the performance of our subsidiary and sister companies, most of them realized profits that reflected positively on Aayan's profitability. I will address this later in the Direct Investment section.

#### **Economic Situation**

It seems that, despite of the political instability in the region and the deteriorating security situation in many countries of the Middle East, GCC countries with oil prices maintaining their levels, witnessed more activities and a rise in real estate and capital markets with the exception of Kuwait, which was slower as usual; after the Stock Exchange Market experienced some activity during the year, it retreated and closed in decline. Meanwhile, real estate market experienced good activities in all sectors accompanied by price increases. In light of this performance the local markets are going through intensive legislations and instructions from various regulators, which we hope that they will be positively absorbed for the general benefit of the economic and operational environment in the future.

# **Leasing Sector**

The leasing sector at Aayan Leasing and Investment Company is considered one of the most important operational sectors, which appears in the great attention given by the company management to this sector in their future plans. The Leasing Sector continued its growth and development achieving more profitability and increase of number of cars in Aayan's fleet. The management of the Leasing Sector (A'ayan Leasing Holding Company) intensified its efforts in the operational leasing operations, and signed a number of mega deals during the year with various car agents, allowing the company to diversify the type of vehicles provided to clients and provide stronger competitive services. Additionally, the company was keen to improve quality of during and after lease services in maintenance, follow-up, insurance, and so on. Moreover, the company opened a new used cars (Mudalala) showroom in Ahmadi city to serve company and individual clients in the governance.

Moreover, Aayan Holding does its maximum effort to support its subsidiaries outside and inside Kuwait and help them develop their business, develop plans, and to overcome any obstacles you may encounter. This led to a rapid development in the work of the subsidiaries of Aayan Leasing Holding Company, where the focus is on the development of subsidiaries activities in all matters relating to the field of car rental, whether it long-term, medium or short-term (daily and weekly). In this regard, the Kuwait Budget Car Rental Company, a subsidiary of A'ayan, opened two new branches in Kuwait in 2013, in Rai and Fintas areas, bringing the total branches in the State of Kuwait to five branches.

# **Fiscal 2013 Activities Report**

#### **Direct Investment**

Investment Department at Aayan continued intensive follow-up of subsidiaries and affiliates in order to achieve positive results. Since the beginning of 2013 the department followed action plans prepared by subsidiaries and monitored performance and methods to develop their assets. A'ayan sold its share in Ajial National Education Company, realizing KD 4 million profit and KD 8,3 million in cash flow. Majority of company's strategic investments achieved positive results, such as Mubarrad Transportation Company which achieved profitability of KD 636,962 in 2013 compared to over KD 9 million loss in 2012. Aayan Real Estate Company also achieved profit of KD 1,270,229 in fiscal year 2013. Meanwhile, Insha'a Holding Company sustained its positive performance yielding net profit of KD 1,351,859 for year 2013.

At the affiliates side, positive performance continued for most of them; Sorroh Investment Company realized profit of KD 653,592 for fiscal year 2013 compared to a loss of KD 313,246 in 2012; Abyar Qatar yielded KD 1,906,991 in 2013 compared to loss of KD 1,456,843 in 2012; while Masha'er Holding Company turned net profit of KD 3,675,556 in 2013. On the other hand, Abyar Real Estate Company incurred a loss at KD 4,954,180 million in 2013 compared to a loss of KD 11,838,406 in 2012.

#### **Real Estate Department**

Real Estate Department resumed work to develop Fahaheel commercial complex in cooperation with A'ayan Real Estate Company. And the department renewed leasing contracts of Jahra blocks project with new leasing prices during 2013. In addition to commencing re-development of company blocks at Abu Fateera Crafts area in accordance with conditions enforced by Kuwait Municipality and General Administration of Fire Department, to prepared for leasing. As for non-incomegenerating lands most of them were disposed of, and work continues to dispose of the remaining ones. Furthermore, the company continues implementation of its new strategy that require the replacement of open lands A'ayan acquired at previous periods for investment purposes with new income generating real estates.

# **Assets Management Department**

Assets Management Department in A'ayan manages several real estate projects in Kuwait and abroad, in Egypt, KSA, UAE and other Arab countries. Additionally, the department manages Awaed and Makaseb Real Estate Funds. The department continued the restructure of its investments in line with new economic developments. Awaed Fund continued to offer monthly returns for investors at an annual percentage of approximately 6% on market value of net unit value (NAV), in addition to payment of all redemptions amounts at 100% for all redemption transactions during the year. Plus raising value of the new leasing contracts for funds' estates. Moreover, Awaed Real Estate Fund fulfilled Capital Markets Authority (CMA) requirements and controls for funds. Awaed net performance for year 2013 was 6.7%. In the meantime, the restructure process of Makaseb Fund is still undergoing through attempt to liquidate some of the assets to pay full redemption amounts which 73% of it was paid up to 31/12/2012. On the other hand, the fund completed leasing three new real estate it owns in the Eastern province of KSA, and succeeded in disposing of real estates in both KSA and Dubai, with profit realized. Moreover, the Assets Management Department manages Green Waves and Marvel City projects in Egypt, where work is currently undergoing to develop phases of Green Waves project, as A'ayan contracted marketing companies for the sale of residential units of the project. As for Marvel City project an agreement was reached with a company to sell the rest of the residential units of the project; in addition to commencing the commercial complex development works at the project.

Mansour Hamad Al-Mubarak
Member of the Board and CEO

# **Fatwa and Sharia Supervisory Board**

Jamada First 2nd 1435 H March 3rd 2014



In the Name of Allah, the Most Merciful, the Most Compassionate

#### Thanks be to Allah and Prayers and Peace Be Upon His Prophet.

# To shareholders of A`ayan Leasing & Investment Co.:

According to decision of the general assembly instating the appointment of Fatwa and Shari'a Supervisory Board for A'ayan Leasing & Investment Co., and commissioning us to execute this decision, and after careful consideration of the report prepared by Sharia Audit Department, we present the following report:

We have studied the contracts and transactions presented to us regarding the activities of A'ayan Leasing and Investment Co. and issued the Sharia fatwas and appropriate decisions related to it during the year ending on December 31st 2013.

And through our follow up of A'ayan's operations, contracts, and transactions, have seen the company's concern to present all transactions to us.

The Supervisory Board had noticed in its previous annual report that some affiliate companies do not have an independent supervisory body that ensure abidance with Islamic Sharia rules, the Sharia Auditor report shows that affiliate has complied with the appointed of an independent Sharia supervisory body with Sharia boards as a reference, to ensure compliance with Islamic Sharia rules, with the exception of Aayan Leasing Qatar Company, which we discovered that it decided to form a Sharia committee.

Based on that, we affirm that the contracts and transactions, which have been signed and presented to us during the fiscal year ended on December 31st 2013, is consistent with Islamic Shari'a rules to the best of our knowledge. And Allah has the ultimate knowledge.

Moreover, the Sharia Supervisory Board would like to thank Aayan Company management for its cooperation and compliance with Sharia rules and decisions of Fatwa and Sharia Supervisory Board and Sharia Audit despite the difficulties it encountered during the previous stage, we ask Allah the all mighty to make reason and rightness realized to us. May peace, merci and blessing of Allah be upon you

Sheikh Prof. Sayed Mohammad A. Al-Tabtabae

Sheikh Prof. Ahmad H. Al-Kurdi

Sheikh Prof. Ajeel J. Al-Nashmi







Building a better working world

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# INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF A'AYAN I FASING AND INVESTMENT COMPANY K.S.C.P

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of A'ayan Leasing and Investment Company K.S.C.P. (the 'parent company') and its Subsidiaries (collectively 'the group), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of income, comprehensive income, cash flows and changes in equity 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 as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the parent company's management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P. (continued)

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respect, the financial position of the group as of 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

# **Report on Other Legal and Regulatory Matters**

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended, and by the parent company>s Articles of Association, as amended, and Memorandum of Incorporation that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended, nor of the Articles of Association, as amended, and Memorandum of Incorporation have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the parent company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, or of the provisions of Law No 7 of 2010, concerning the Capital Markets Authority and its related regulations during the during the year ended 31 December 2013 that might have had a material effect on the business of the parent company or on its financial position.

WALEED A. AL OSAIMI LICENCE NO. 68 A OF ERNST & YOUNG

4 Feb 2013 Kuwait Ali A. Al-Hasawi License No.30-A RÖdl Middle East Burgan – International accountants

		2013	(Restated*) 2012
	Notes	2013 KD	2012 KD
CONTINUING OPERATIONS	710100	ND .	ND .
NCOME			
Islamic financing income Operating lease rental income Real estate and construction income Investment income Share of results of associates Advisory and consultancy fees Gain on disposal of property and equipment Other income	6 7 15	4,049,356 21,898,439 10,575,224 6,503,870 1,273,305 838,845 1,928,592 404,373	4,666,482 20,976,853 929,189 479,424 (237,267) 843,274 2,399,694 341,080
		47,472,004	30,398,729
Finance costs  Debt write-off and finance cost reversal Impairment losses Staff costs  Depreciation Foreign exchange (gain) loss Maintenance and insurance expenses Other expenses  PROFIT BEFORE TAXES FROM CONTINUING OPERATIONS PROFIT (LOSS) FROM DISCONTINUED OPERATION	24 8 18	10,160,429 (24,697,209) 14,754,432 7,487,936 11,178,136 (50,119) 2,388,545 6,316,376 27,538,526	15,301,610 (25,538,389) 8,650,632 7,136,649 11,140,312 682,826 2,954,037 5,697,729 26,025,406 4,373,323 (5,028,937)
		·	
		20,446,073	(655,614)
National Labour Support Tax Zakat		(432,737) (166,973)	(19,623)
PROFIT (LOSS) FOR THE YEAR		19,846,363	(675,237)
Attributable to: Equity shareholders of the parent company Non - controlling interests		19,261,395 584,968	1,853,729 (2,528,966)
		19,846,363	(675,237)
Basic and diluted earning per share from continuing operations - Attributable to equity shareholders of the parent company	10	28.06 fils	8.37 fils
Basic and diluted earning per share - Attributable to equity shareholders of the parent company	10	28.42 fils	3.63 fils

<sup>\*</sup> Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 4 and Note 15.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2013

		2013	(Restated <b>*</b> ) 2012
	Notes	KD	KD
Duelit (loca) for the year		40.040.000	(675 007)
Profit (loss) for the year		19,846,363	(675,237)
Other comprehensive income reclassifiable to consolidated statement of income in subsequent periods			
Unrealized losses on available for sale investments		(2,736,134)	(4,535,167)
Gain recycled to the consolidated statement of income on sale of available for sale investments	7	(2,129,907)	(406,821)
Transfer to consolidated statement of income on impairment of available for sale investments	8	5,413,053	5,632,278
Change in fair value of available for sale investments		547,012	690,290
Share of other comprehensive (income) loss of associates		(673,681)	186,533
Exchange differences on translation of foreign operations		(101,656)	75,331
		(228,325)	952,154
Other comprehensive income not reclassifiable to consolidated statement of income in subsequent periods			
Revaluation of property and equipment	18	-	1,324,751
Other comprehensive (loss) income for the year		(228,325)	2,276,905
Total comprehensive income for the year		19,618,038	1,601,668
Attributable to:			
Equity shareholders of the parent company		18,952,259	3,951,864
Non-controlling interests		665,779	(2,350,196)
		19,618,038	1,601,668

<sup>\*</sup> Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 4 and Note 15.

	Notes	31 December 2013 KD	(Restated*) 31 December 2012 KD	(Restated*) 01 January 2012 KD
ASSETS	44	22 204 000	45.044.540	F2 C04 227
Cash and bank balances Islamic financing recievables	11 12	22,301,009 31,487,955	45,041,549 42.431.586	53,601,327 51,246,779
Trading properties	13	24,223,540	21,355,509	24,876,645
Available for sale investments	14	9,536,053	17,664,286	22,958,774
Investment in associates	15	65,710,522	74,326,084	76,918,187
Investment properties	16	82,637,234	107,536,889	114,222,004
Other assets	17	21,645,544	25,045,354	28,191,775
Property and equipment	18	71,879,061	68,527,506	76,746,430
Goodwill	19 9	7,020,022	7,184,716	10,006,871
Assets classified as held for sale	9	40,975	3,970,068	-
TOTAL ASSETS		336,481,915	413,083,547	458,768,792
EQUITY AND LIABILITIES Equity				
Share capital	20	81,403,882	67,122,030	34,209,210
Treasury shares reserve		2,678,070	2,678,070	2,678,070
Revaluation reserve	22	6,456,285	6,488,612	5,481,455
Foreign currency translation reserve		248,400	820,191	657,957
Cumulative change in fair values		401,025	138,370	(599,710)
Accumulated losses		(21,822,432)	(41,116,154)	(43,059,893)
		69,365,230	36,131,119	(632,911)
Treasury shares	23	(11,339,726)	(11,339,726)	(11,339,726)
Equity (deficit) attributable to equity shareholders of the parent company		58,025,504	24,791,393	(11,972,637)
Non controlling interests		44,921,610	45,753,027	48,288,223
Notification and interests		44,921,010	45,755,027	40,200,223
Total equity		102,947,114	70,544,420	36,315,586
Liabilities				
Islamic financing payables	24	206,805,424	302,565,184	384,564,213
Other liabilities	25	26,729,377	37,400,783	37,888,993
Liabilities associated with assets classified as held for sale	9	-	2,573,160	-
Total liabilities		233,534,801	342,539,127	422,453,206

Fahad Ali Mohammed Thunayan Al-Ghanim Chairman

Mansour Hamad Al-Mubarak Chief Executive officer

<sup>\*</sup> Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 4 and Note 15.

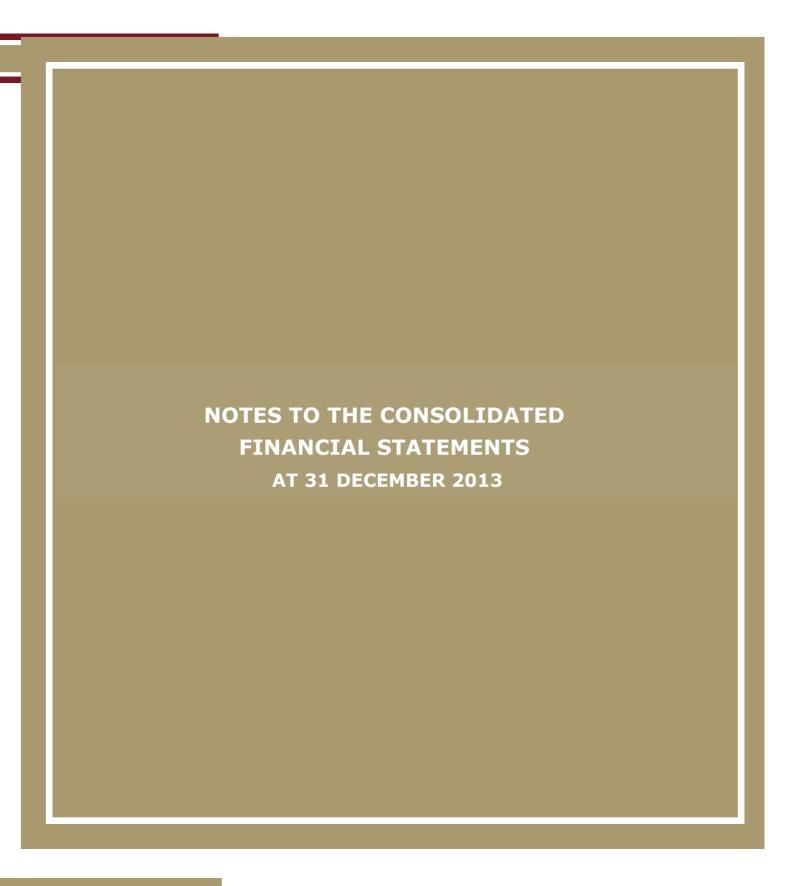
# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st DECEMBER 2013

		2013	(Restated*) 2012
	Notes	KD	KD
OPERATING ACTIVITIES			
Profit for the year before tax from continuing operations Profit (loss) for the year before tax from discontinued operations Non-cash adjustments to reconcile profit for the year to net cash flows:		19,933,478 512,595	4,373,323 (5,028,937)
Depreciation Impairment losses Unrealized (gain) loss on revaluation investment properties Gain on disposal of property and equipment Gain on sale of investment properties Investment income	18 8,9 16	11,178,136 14,754,432 (376,207) (1,928,592) (6,094,583) (6,503,870)	12,015,076 8,650,632 4,315,082 (2,399,694) (1,016,505) (479,424)
Share of results of associates Debt write-off and finance cost reversal Foreign exchange (gain) loss Provision for employees end of service benefits Finance costs	15 24	(1,273,305) (24,697,209) (50,119) 858,966 10,160,429	237,267 (25,538,389) 682,826 539,829 15,301,610
		16,474,151	11,652,696
Changes in operating assets and liabilities: Islamic financing receivables Trading properties Other assets Other liabilities		7,488,051 (2,868,031) 6,831,200 (5,395,306)	14,700,440 3,496,632 2,438,463 (3,985,004)
Cash from operations Employees end of service benefits paid		22,530,065 (781,047)	28,303,227 (321,642)
Net cash from operating activities		21,749,018	27,981,585
INVESTING ACTIVITIES Contributions to entities under establishment Purchase of available for sale investments Proceeds from sale of available for sale investments Additional investment in associates Proceeds from sale of investment in associates Purchase of investment properties Proceeds from sale of investment properties Murabaha and dividend income received Dividends received from associates Purchase of property and equipment Proceeds from sale of property and equipment Movement in restricted bank balance  Net cash used in investing activities	16 7	396,065 (1,042,449) 8,379,053 (9,453,888) 10,151,265 364,718 1,424,941 (22,954,464) 9,787,168 539,396 (2,408,195)	(1,419,830) (18,314) 1,324,075 - 134,322 (2,686,822) 9,442,471 359,037 569,495 (27,480,035) 16,632,186 13,490 (3,129,925)
FINANCING ACTIVITIES Dividends paid Proceeds from increase in share capital Finance costs paid Repayment of islamic financiang payables Dividends paid to non controlling interests Other movement in non controlling interests	20	14,281,852 (6,901,063) (47,506,371) (1,488,648) 72,263	(49,285) 32,912,820 (9,264,321) (56,978,794) (202,330) 219,920
Net cash used in financing activities		(41,541,967)	(33,361,990)
DECREASE IN CASH AND CASH EQUIVALENTS Cash and cash equivalents at the beginning of the year	11	(22,201,144) 44,285,349	(8,510,330) 52,795,679
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	22,084,205	44,285,349

<sup>\*</sup> Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as 19 detailed in Note 4 and Note 15.

	Attribu	o of older	Attributed to see the company of the parent of the parent	holdore of	the parent	Macamoo					
	Share capital	Treasury shares reserve	Revaluation reserve	Foreign currency translation reserve	Cumulative changes in fair values	Accumulated losses	Subtotal	Treasury Shares	Total	Non- controlling interest	<i>Total</i> equity
	ΚD	ΚD	ΚD	ΚĐ	ΚD	KD	ΚD	KD	KD	ΚD	ΚD
At 1 January 2013 Profit for the year Other comprehensive (loss) income for the year	67,122,030 -	2,678,070	6,488,612	820,191 - (571,791)	138,370 - 262,655	(41,116,154) 19,261,395 -	36,131,119 19,261,395 (309,136)	36,131,119 (11,339,726) 19,261,395 (309,136)	24,791,393 19,261,395 (309,136)	45,753,027 584,968 80,811	70,544,420 19,846,363 (228,325)
Total comprehensive income (loss) for the year Increase in share capital (Note 20) Adjustment in revaluation reserve Dividend paid to non-controlling interests  Other movements in non-controlling interests	- 14,281,852 - -		(32,327)	(571,791)	262,655	19,261,395 - 32,327	18,952,259 14,281,852		18,952,259 14,281,852	665,779 - (1,488,648) (8,548)	19,618,038 14,281,852 - (1,488,648) (8,548)
At 31 December 2013	81,403,882 2,678,070		6,456,285 2	248,400	401,025	(21,822,432)	69,365,230	(11,339,726) 58,025,504		44,921,610	102,947,114
At 1 January 2012 (as previously reported)	34,209,210	2,678,070	5,481,455	657,957	(959,064)	(959,064) (42,700,539)	(632,911)	(632,911) (11,339,726) (11,972,637) 46,473,732	(11,972,637)	46,473,732	34,501,095
Effect of restatements*	ı	'	ı	'	359,354	(359,354)	1	1	'	1,814,491	1,814,491
At 1 January 2012 (restated) Profit (loss) for the year Other comprehensive income for the year	34,209,210	2,678,070	5,481,455	657,957	(599,710)	(43,059,893) 1,853,729	(632,911) 1,853,729 2,098,135	(632,911) (11,339,726) (11,972,637) 1,853,729 - 1,853,729 2,098,135 - 2,098,135	(11,972,637) 1,853,729 2,098,135	48,288,223 (2,528,966) 178,770	36,315,586 (675,237) 2,276,905
Total comprehensive (loss) income for the year Increase in share capital Adjustment in revaluation reserve	- 32,912,820 -		1,197,821	162,234	738,080	1,853,729	3,951,864 32,912,820		3,951,864 32,912,820	3,951,864 (2,350,196) 2,912,820	1,601,668 32,912,820
Dividend paid to non-controlling interests Other movements in non-controlling interests		1 1	1 1	1 1		(100,654)	- (100,654)	1 1	(100,654)	(202,330)	(202,330)
	67,122,030	2,678,070	6,488,612	820,191	138,370	(41,116,154)	36,131,119 (11,339,726)	(11,339,726)	24,791,393 45,753,027	45,753,027	70,544,420

<sup>\*</sup> Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 4 and Note 15.



#### 1 ACTIVITIES

The consolidated financial statements of A'ayan Leasing and Investment Company K.S.C.P. (the "parent company") and Subsidiaries (collectively the "group") for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the board of directors on 4 february 2014 and were approved by the relevant regulatory authorities before issuance. The shareholders' general assembly of the parent company has the power to amend these consolidated financial statements after issuance.

The parent company is a Kuwaiti shareholding company and was incorporated on 4 January 1999 in accordance with the provisions of Law No. (12) of 1998, licensing the incorporation of leasing companies. The parent company is regulated by the Capital Markets Authority ("CMA") and Central Bank of Kuwait ("CBK") as an investment company. The New Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 was published in the official Gazette on 6 October 2013. As per Article three of the Executive Regulations, Companies have one year from the date of publishing the Executive Regulations to comply with the new amended law. Details of significant subsidiary companies are set out in Note 5.

#### 2 PRINCIPAL ACTIVITIES

The group principally operates in Kuwait and engages in financial investments, trading properties, investment properties and leasing activities as follows:

- 1. Provide lease financing product in all its forms and manifestations
- 2. Act as financial intermediatory and broker
- 3. Engage in activities related to granting of credit facilities to consumers
- 4. Participate in establishment of companies of different types and purposes inside and outside the State of Kuwait and dealing in the shares of these companies on its behalf and on behalf of third parties
- 5. Represent the foreign companies that are similar in purpose with the purposes of the parent company in order to market their products and services including financial benefit of the parties and in accordance with the provisions of the relevant Kuwaiti legislation
- 6. Do all the work relating to securities
- 7. Portfolio management on behalf of the customers
- 8. Investment in real estate property in industrial, agricultural and other sectors
- 9. Development of residential land and commercial property for generating rental income
- 10. Conducting research and studies and related activities on behalf of customers
- 11. Establish investment funds and management of the funds

All activities of the group are carried out in compliance with Islamic Sharee'a, as approved by the parent company's Fatwa and Sharee'a Supervisory Board. The parent company's registered head office is at Al Qibla, Block 13, Building 23,13<sup>th</sup> Floor Al Soor Real Estate Tower, P.O. Box 1426, Safat 13015, Kuwait.

#### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 BASIS OF PREPARATION

#### Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) except for the International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' requirement for a collective provision, which has been replaced by the CBK's requirement for a minimum general provision as discussed under the accounting policy for impairment of financial assets.

# **Basis of preparation**

The consolidated financial statements have been presented in Kuwaiti Dinars (KD), which is also the parent company's functional currency, and are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments, investment properties and the valuation of land and building classified as property and equipment.

Other than the restatements disclosed in Note 4 and Note 15, certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications were made in order to more appropriately present the items of consolidated statement of income and consolidated statement of financial position. Such reclassifications do not affect previously reported total assets, total equity, total liabilities and profit reported in the prior year.

#### 3.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new or amended IFRS relevant to the Group:

# IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the group's financial position or performance.

#### IAS 28 Investments in Associates and Joint Ventures

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard did not have any material impact on the consolidated financial statements of the group.

# 3.2 CHANGES IN ACCOUNTING POLICIES (continued)

#### IAS 19: Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard requires the recognition of actuarial gains and losses in other comprehensive income and impacts the net benefit expense as the expected return on plan assets is now calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment did not have an impact on the group's financial position and performance since the group does not have any funded defined benefit plans.

#### IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard did not have any material impact on the consolidated financial statements of the group as the group has not entered into any such arrangements.

#### **IFRS 10: Consolidated Financial Statements**

IFRS 10 replaces the consolidation guidance in IAS 27 **Consolidated and Separate Financial Statements**. It also addresses the issues raised in SIC-12 **Consolidation - Special Purpose Entities**.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by the group, compared with the requirements that were in IAS 27. The group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the entity. The group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Once control is established, the standard requires the group to start consolidating the investee from the date the investor obtains control of the investee and cease consolidation when the investor loses control of the investee. This resulted in a change in the accounting policy for basis of consolidation as described below.

The adoption of IFRS 10 resulted in the establishment of control over one of the group's investees, Egypt Portfolio (the Portfolio) (previously accounted for as investments available for sale) since the group is exposed, or has rights to variable returns from its involvement with the Portfolio and has the ability to affect those returns through its power over the Portfolio. The Portfolio is consolidated in the group's consolidated financial statements retrospectively from the date on which the group obtained control which was date of establishment of Portfolio. The effect of IFRS 10 is described in Note 4, which includes quantification of the effect on the consolidated financial statements.

#### 3.2 CHANGES IN ACCOUNTING POLICIES (continued)

# IFRS 10: Consolidated Financial Statements (continued)

Name of the establishment	Country of establishment	Ownership %	Principal activities
Egypt Portfolio – 3	Kuwait	34.1%	Investment in real estate properties

#### IFRS 12 - Disclosure of Involvement with Other Entities

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to disclose information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of the consolidated entities. The adoption of this standard has not resulted in any significant additional disclosure in the consolidated financial statement of the group.

#### IFRS 13 - Fair Value measurement

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The adoption of this standard does not have any material impact on the financial position or performance of the group. Additional disclosures where ever required are provided in notes to the consolidated financial statements relating to assets and liablilities whose fairvalues are determined.

#### 3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The group intends to adopt these standards when they become effective.

#### **IFRS 9 Financial Instruments**

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The standard was initially effective for annual periods beginning on or after 1 January 2015, but International Accounting Standards Board ("IASB") in its July 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known. The group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

# Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would have any impact on the group.

#### IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the group.

The application of these standards will be made in the consolidated financial statements when these standards become effective.

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2013. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

Certain consolidated subsidiaries use accounting policies other than that adopted in the consolidated financial statements for certain transactions and assets. Where practicable, appropriate adjustments for non-uniform accounting policies are made to their financial statements when included in the consolidated financial statements to bring them in line with the group's accounting policies.

The principal subsidiaries of the group are listed in Note 5. The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income("OCI") are attributed to the equity holders of the parent 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 in line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full upon consolidation.

# 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

# Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of income
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

#### **Business combinations and goodwill**

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

# 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Business combinations and goodwill (continued)

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

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

#### Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is recognized only to the extent of the expenses incurred that are recoverable. The group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is measured at the fair value of the consideration received excluding discounts. The following specific recognition criteria must also be met before revenue is recognized:

- Islamic financing income which comprises Murabaha, Musawama, Ijara and Tawarruq are recognized on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.
- Rental income from operating leases on motor vehicles operating fleet is recognized on a straight line basis over the lease term.
- Dividend income is recognized when the right to receive the payment is established.
- Income from the sale of properties and construction material is recognized when significant risks and rewards of ownership
  have passed to the buyer and the amount of revenue can be measured reliably.
- Rental income on investment properties from operating leases is recognized on straight line basis over the lease term.
- Management and consultancy fees are recognized when earned.
- Trading profit is recognized when the goods are sold.

#### **Finance costs**

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

# 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial assets and liabilities

The group recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. All regular way purchase of financial assets is recognized using the trade date accounting. Financial assets and liabilities are measured initially at fair value (transaction price in an arm's length terms) plus directly attributable transaction costs.

#### **Financial assets**

The group classifies its financial assets for the purpose of IAS 39 as 'financial assets available for sale' and 'financing and receivables'. The group determines the classification of financial assets at initial recognition. The group's financial assets include cash and cash equivalents, murabaha investments, financial assets available for sale, Islamic financing receivables and trade and other receivables.

# Cash and cash equivalents

Cash and cash equivalents are defined as cash and balances with banks and other financial institutions, and placements having original maturity period less than three months.

#### Murabaha investments

These represent international murabaha in international commodity transactions managed by Islamic financial institutions. The transactions are originated by the group. These deals are secured by irrevocable letters of guarantee issued by the financial institutions concerned. Murabaha investments are stated at amortized cost less provision for impairment.

#### Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets carried at fair value through profit or loss, held to maturity investments or loans and receivables.

After initial recognition financial assets available for sale are measured at fair value with gains and losses being recognised through OCI until the investment is determined to be impaired at which time the cumulative gain and loss previously reported in other comprehensive income is recycled in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

#### Islamic financing receivables

Musawama, Ijara, Real Estate, and Tawarruq receivables are classified as "Islamic financing receivables" and are carried at amortized cost, less any amounts written off and impairment losses.

# 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Musawama receivables

Musawama receivables arise from a financing structure when the purchaser and seller negotiate the price and terms, without the obligation to inform the cost of the commodity being negotiated to the buyer. The commodity is specifically identified and owned by the group and available for delivery to the purchaser on completion of the transaction. Musawama receivables are carried at the gross amount of the receivable, net of deferred income and impairment losses.

#### ljara receivables

Ijara receivables arise from financing structure when the purchase and immediate lease of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. Ijara receivables are carried at the aggregate of the minimum lease payments due, less deferred income and impairment losses.

#### Real estate receivables

Real estate receivables relate to sales made to customers on musawama and ijara basis with the receivables being due up to a maximum of 120 months from the date of sale. The balance represent contractual amount due less deferred income and impairment losses.

#### Tawarrug receivables

Tawarruq receivables represent amounts receivable on a deferred settlement basis for commodities sold under Mudaraba arrangements. Tawarruq receivables are stated at the gross amount of the receivable, less deferred profit and impairment losses.

# **Financial liabilities**

Financial liabilities within the scope of IAS 39 are classified as "Financial liabilities other than at fair value through profit or loss". Financial liabilities are stated at amortised cost using the effective profit rate method. The group's fianncial liabilities include islamic fianncing payable and accounts payable and accruals.

## Islamic fianncing payables

Islamic fianncing payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

#### Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for subcontracting work and goods or services received, whether or not billed to the group.

# 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair values

The Group measures financial instruments, such as financial assets at fair value through profit or loss and financial assets available for sale, and non-financial assets such as investment properties at each reporting date.

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

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

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

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

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

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

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

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

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

# 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Derecognition of financial assets and liabilities

#### **Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired:
- The group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The group has transferred its rights to receive cash flows from the asset and has either:
  - (a) transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset.

In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

#### **Financial liabilities**

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

#### Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine, in case of financial asset, whether there is objective evidence that a specific financial asset may be impaired and, in case of other assets, whether there is an indication that a specific asset may be impaired. A financial asset or a group of financial assets are impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in the consolidated statement of income.

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment and uncollectibility of financial assets (continued)

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated statement of income.

Impairment is determined as follows:

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

In addition, in accordance with CBK instructions, a minimum general provision of 1% on all finance facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made.

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

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

Reversal of impairment losses is recorded when there is an indication that the impairment losses recognised for the asset no longer exists or has decreased. The reversal of impairment losses are recognised in the consolidated statement of income except for available for sale equity financial assets which are recognised in the consolidated statement of comprehensive income. Financial assets are written off when there is no realistic prospect of recovery.

#### Offsetting of financial instruments

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

# 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Trading properties

Trading properties are held for short term purposes and are carried at the lower of cost and net realizable value determined on an individual basis. Cost comprises the purchase cost of real estate and other expenses incurred in order to complete the transaction. Net realizable value is based on estimated selling price less any further costs to be incurred on disposal of real estate.

#### Investment properties

Investment properties comprise completed properties held to earn rentals or for capital appreciation or both. Investment properties are initially recorded at cost being the fair value of the consideration given and including acquisition charges associated with the investment property. After initial recognition, the properties are re-measured to fair value on an individual basis with any gain or loss arising from a change in fair value being included in the consolidated statement of income in the period in which it arises.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the period of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### Investment in associates

The group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the investee. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's income statement. The Group's share of those changes is recognised in other comprehensive income.

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## Investment in associates (continued)

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. Whenever impairment requirements of IAS 39, indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value.

Unrealised gains on transactions with an associate are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The reporting dates of the associates and the group are identical and in case of different reporting date of an associate, which are not more than three months, from that of the group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associates' accounting policies conform to those used by the group for like transactions and events in similar circumstances.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each item to its present location and condition. Cost represents purchase cost on a specific identification basis.

Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value, if any. Land is subsequently revalued to its market value as determined by a real estate valuer. Revaluation of land is performed frequently enough to ensure that the fair value of the property does not differ materially from its carrying amount.

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited to consolidated statement of comprehensive income in the revaluation reserve, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, whereby it is recognized as income. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal the related revaluation surplus is credited directly to retained earnings.

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property and equipment (continued)

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Buildings
 Furniture and fixtures
 Tools and office equipment
 Motor vehicles
 Leased motor vehicles
 20 years
 3-5 years
 1-4 years
 over lease term

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

#### Non-current assets held for sale and discontinued operations

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

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

Non current assets classified as held for sale are not depreciated or amortised.

#### Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset or group of assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's realizable value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash - generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

# Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Treasury shares

Treasury shares consist of the parent company's own issued shares that have been reacquired by the group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the equity. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares. Part of the reserves created or appropriated and retained earnings equivalent to the cost of treasury shares is not available for distribution throughout the holding period.

#### Leases

### Leases where the group is lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the consolidated statement of income on a straight line basis over the lease term.

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## Leases (continued)

#### Leases where the group is lessor

Leases where the group transfers substantially all the risks and benefits of ownership of the asset are financial leases and structured in the form of liara receivables.

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

## Employees' end of service benefits

The group provides end of service benefits to its employees under the Kuwait labour law. The entitlement to these benefits is usually based upon the employees' length of service. The expected costs of these benefits are accrued over the period of employment.

#### Foreign currencies

#### Transactions and balances

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## **Group companies**

Assets and liabilities, both monetary and non-monetary, of foreign operations are translated at the Parent Company's presentation currency (KD) at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average rates of exchange for the foreign operation's period of operations.

The resulting exchange differences are accumulated in a separate section of equity (foreign currency translation reserve) until the disposal of the foreign operation. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of income.

### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Provisions**

Provisions are recognized when the group has a present obligation (legal or cosntructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

# **Fiduciary assets**

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

#### **Zakat**

Zakat at 1% of the profit for the year is provided for in accordance with the requirements of Law No. 46 of 2006 and charged to the consolidated statement of income.

## **National Labour Support Tax (NLST)**

The parent company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of profit before allowable deductions for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

## **Kuwait Foundation for the Advancement of Sciences (KFAS)**

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

#### **Judgements**

In the process of applying the group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### Operating lease commitments-group as lessor

The group has entered into commercial property leases on its investment property portfolio and commercial operating leases on its motor vehicle fleet portfolio. The group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and fleet, and accordingly accounts for the contracts as operating leases.

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## Judgements (continued)

#### Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through statement of income or available for sale.

The group currently classifies all of its investments as available for sale.

#### Classification of real estate

Management decides on acquisition of real estate whether it should be classified as trading or investment property.

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

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

### Impairment of investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the financial position, future cash flows and the discount factors for unquoted equities.

### Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less costs to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### Residual value of leased assets

The group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

# **Estimation uncertainty**

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

#### Impairment losses on finance facilities

The group reviews its problem finance facilities on a quarterly basis to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment 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.

## Estimation of net realisable value for trading properties

Trading properties are stated at the lower of cost and net realisable value (NRV).

NRV for completed trading properties is assessed with reference to market conditions and prices existing at the reporting date and is determined by the group having taken suitable external advice and in the light of recent market transactions.

NRV in respect of properties under development is assessed with reference to market prices at thereporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

#### Valuation of unquoted equity investments

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

- · Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- · An earnings multiple;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- · Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

### 4 IMPACT OF THE ADOPTION OF IFRS 10

The Portfolio is managed by the parent company as a portfolio manager. The factors considered by the group included the scope of decision making authority held by the parent company in its capacity as portfolio manager, removal rights held by other parties, the remuneration arrangement and exposure to variability of returns from other interest that group holds in the Fund. The group has established that they had control over the Fund as from the date of establishment.

As a result of the retrospective application of IFRS 10 described in Note 3 above, the opening balances at 1 January 2012 and comparative information for the year ended 31 December 2012 have been restated in the consolidated financial statements. The quantitative impact on the consolidated financial statements is provided below:

	31 December 2012 KD	1 January 2012 KD
Consolidated statement of financial position:	KD	KD
Increase (decrease) in assets: Cash and bank balances Trading properties Available for sale investments Other assets	37,134 5,876,396 (1,651,525) (195,797)	35,958 5,768,400 (1,651,525) (75,884)
Net increase in assets	4,066,208	4,076,949
Increase in liabilities: Other liabilities	2,275,537	2,262,458
Net increase in liabilities	2,275,537	2,262,458
Increase (decrease) in equity: Non-controlling interest	1,790,671	1,814,491
Net increase in equity	1,790,671	1,814,491
Net increase in liabilities and equity	4,066,208	4,076,949

The impact on the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2012 and 1 January 2012 was immaterial.

### **5 GROUP INFORMATION**

The principal subsidiaries of the group are as follows:

	Country of			Country of % ' '	% ' '	
Name of company	incorporation	2013	2012	Principal activities		
Directly held subsidiaries						
First East General Trading Company W.L.L.* ("First East")	Kuwait	99%	99%	General trading		
A'ayan Leasing Holding Company K.S.C. (Holding)	Kuwait	98.0%	98.0%	Leasing activities		
Mubarad Transportation Company K.S.C.P. **	Kuwait	48.1%	48.1%	Trading and renting heavy vehicles		
A'ayan Real Estate Company K.S.C.P. ("ARE")	Kuwait	57.8%	57.8%	Real estate services		
Insha'a Holding Company K.S.C. (Closed)	Kuwait	81.7%	81.7%	Sale of construction related products		
Indirectly held subsidiaries						
East Gate Real Estate Company W.L.L.* (subsidiary of First East)	Kuwait	99%	99%	Real estate trading		
Anan Real Estate Financing Company K.S.C.(Closed) (subsidiary of ARE	E) Kuwait	57.8%	57.8%	Real estate Financing		

<sup>\*</sup>The group effective interest in the subsidiaries is 100%. The group directly holds the shares in the respective subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the parent company. The nominees have confirmed in writing that the parent company is the beneficial owner of the shares in the subsidiary.

### Material partly owned subsidiary:

The group has concluded that A'ayan Real Estate Company K.S.C.P. ('AREC'), Mubarrad Transportation Company K.S.C.P. ('Mubarrad') and Insha'a Holding Company K.S.C. (Closed) ('Insha'a') are the only subsidiaries with non-controlling interests that are material to the consolidated finanical statements. Financial information of subsidiaries that have material non-controlling interests are provided below:

#### Accumulated balances of material non-controlling interests:

	2013	2012
	KD	KD
A'ayan Real Estate Company K.S.C.P.	30,749,366	31,534,739
Mubarrad Transportation Company K.S.C.P.	8,521,898	13,073,957
Insha'a Holding Company K.S.C. (Closed)	2,902,946	2,857,893

<sup>\*\*</sup>The group established de facto control over Mubarad Transportation Company K.S.C.P. ('Mubarrad'). While the group owns less than 50% of the voting rights of Mubarrad, the group determined that it had de facto control over Mubarrad. The factors considered by the group included the voting shares, the relative size and dispersion of holdings by other shareholders, attendance and voting patterns at previous shareholders' meetings and board meetings and the sharing of key management positions between the group and Mubarrad.

# **5 GROUP INFORMATION (continued)**

Material partly owned subsidiary: (continued)

Profit (loss) allocated to material non-controlling interests:

	2013 KD	2012 <b>KD</b>
A'ayan Real Estate Company K.S.C.P.	166,456	1,788,012
Mubarrad Transportation Company K.S.C.P.	234,992	(4,861,071)
Insha'a Holding Company K.S.C. (Closed)	462,589	531,984

Summarised financial information of these subsidiaries is provided below. This information is based on amounts before eliminating intra group transactions and consolidation related adjustments.

	AREC KD	2013 Mubarrad KD	Insha'a KD	AREC KD	2012 Mubarrad KD	Insha'a KD
Statement of income Income Expenses	6,575,232 5,305,003	1,494,804 857,878	2,127,078 775,219	8,312,628 4,359,745	(4,784,006) 4,444,570	2,322,350 839,899
Profit for the year	1,270,229	636,926	1,351,859	3,952,883	(9,228,576)	1,482,451
Total comprehensive income	1,311,278	676,901	1,357,759	3,952,624	(9,276,182)	1,418,639
Statement of financial position						
Total assets	103,718,066	19,862,636	14,324,060	112,908,218	23,198,352	13,743,425
Total liabilities	29,718,257	2,634,479	2,455,158	37,435,450	6,647,096	2,851,882
Total equity	73,999,809	17,228,157	11,868,902	75,472,768	16,551,256	10,891,543
Cash flows Operating Investing Financing	4,852,083 2,848,381 (10,183,008)	19,468 3,216,672 (2,901,192)	1,826,098 (649,031) (859,403)	16,102,223 1,477,235 (17,050,371)	(1,288,444) 697,063 (393,745)	2,066,185 (1,337,954) (2,192,416)
Net (decrease) increase in cash and cash equivalents	(2,482,544)	334,948	317,664	529,087	(985,126)	(1,464,185)

# 6 REAL ESTATE AND CONSTRUCTION INCOME

	2013 KD	2012 <b>KD</b>
Sales of trading properties	3,550,662	5,528,746
Cost of sales of trading properties	(3,273,491)	(5,424,550)
Gain on sale of trading properties	277,171	104,196
Sale of construction material	7,723,335	8,718,835
Cost of construction material sold	(5,578,117)	(6,242,570)
Gross profit on sale of construction material	2,145,218	2,476,265
Gain on sale of investment properties	6,094,584	1,016,505
Unrealized gain (loss) on revaluation of investment properties (Note 16)	376,207	(4,315,082)
Rental income	1,682,044	1,647,305
	10,575,224	929,189

# 7 INVESTMENT INCOME

	2013 KD	2012 <b>KD</b>
Murabaha and dividend income	364,718	359,037
Gain on sale of available for sale investments	2,129,907	406,821
Gain (loss) on sale of investment in associates	4,462,245	(286,434)
Loss on transfer of investment in associate to available for sale investments	(453,000)	-
	6,503,870	479,424

# **8 IMPAIRMENT LOSSES**

	2013 KD	Restated 2012 KD
Impairment losses (reversal of impairment) on islamic financing receivables (Note 13)	3,455,580	(5,885,247)
Impairment losses on other receivables (Note 17)	3,347,511	4,200,434
Impairment losses on trading properties	-	132,500
Reversal of provisions no longer required	(195,145)	(444,637)
Impairment losses on property and equipment (Note 18)	566,197	762,215
Impairment losses on investment in associates (Note 15)	2,002,545	1,430,935
Impairment losses on goodwill (Note 19)	164,691	2,822,154
Impairment losses on available for sale investments (Note 14)	5,413,053	5,632,278
	14,754,432	8,650,632

## 9 DISCONTINUED OPEARATIONS

During 2012, the board of directors of a subsidiary, Mubarrad Transportation Company K.S.C.P. has passed a resolution to close down the transportation operations of this subsidiary in Kuwait and to liquidate its assets taking cognizance of the current challenging and uncertain operating environment. Accordingly, the assets and liabilities of the transportation division were classified as disposal group held for sale. The results of the discontinued operations are as follows:

	2013	2012
	KD	KD
Operating leasing income (loss)	524,592	(1,091,913)
Depreciation expense	-	(874,764)
Gross profit	524,592	(1,966,677)
Impairment loss recognised on the remeasurement to fair value less costs to sell	(11,997)	(3,062,260)
Profit (loss) from discontinued operations	512,595	(5,028,937)
	2013	2012
	KD	KD
Property and equipment (net of accumulated depreciation)	10,975	6,644,829
Inventory	41,997	387,499
Less: Impairment loss recognised on the remeasurement to fair value less costs to sell	(11,997)	(3,062,260)
Total assets classified as held for sale	40,975	3,970,068
Liabilities associated with assets classified as held for sale	-	2,573,160
Net assets classified as held for sale	40,975	1,396,908

# 10 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share are computed by dividing the profit (loss) for the year attributable to the equity holders of the parent company by the weighted average number of shares outstanding during the year as follows:

	2013	2012
Profit from continuing operations attributable to the equity holders of the parent company (KD)	19,014,908	4,271,946
Profit (loss) from discontinued operations attributable to the equity holders of the parent company (KD)	246,487	(2,418,217)
Profit attributable to the equity holders of the parent company (KD)	19,261,395	1,853,729
Weighted average number of shares outstanding during the year (shares)	677,637,068	510,477,987
Basic and diluted earnings per share from continuing operations (fils)	28.06	8.37
Basic and diluted earnings (loss) per share from discontinued operations (fils)	0.36	(4.74)
Basic and diluted earnings per share (fils)	28.42	3.63

# 11 CASH AND CASH EQUIVALENTS

	2013 KD	Restated 2012 KD
Cash and balances with banks in bank accounts Placements with financial institutions	16,673,659 5,627,350	22,999,351 22,042,198
Bank balances and cash as per consolidated statement of financial position  Balances in escrow and other restricted accounts	22,301,009 (216,804)	45,041,549 (756,200)
Cash and cash equivalents	22,084,205	44,285,349

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

Placements with financial institutions represent highly liquid funds with original maturity of less than 3 months and carry average effective profit rate of 1% (2012: 1%) per annum.

# 12 ISLAMIC FINANCING RECEIVABLES

31 December 2013	Musawama KD	ljara KD	Real estate KD	Tawaruq KD	Total KD
Gross receivables Less: deferred income	7,241,120 (1,225,636)	2,497,864 (417,688)	34,762,626 (3,517,188)	9,865,731 (2,233,341)	54,367,341 (7,393,853)
	6,015,484	2,080,176	31,245,438	7,632,390	46,973,488
Less: impaiment losses: General Specific	9 6,009,569	245 2,057,709	1,576,035 520,880	248,431 5,072,655	1,824,720 13,660,813
	6,009,578	2,057,954	2,096,915	5,321,086	15,485,533
	5,906	22,222	29,148,523	2,311,304	31,487,955
Finance facilities individually determined to be impaired before deducting any provision	7,240,253	2,473,326	527,670	9,865,731	20,106,980

31 December 2012	Musawama KD	ljara KD	Real estate KD	Tawaruq KD	Total KD
Gross receivables Less: deferred income	8,388,639 (1,390,041)	2,669,400 (443,626)	38,849,508 (2,431,193)	10,296,179 (1,304,661)	60,203,726 (5,569,521)
	6,998,598	2,225,774	36,418,315	8,991,518	54,634,205
Less: impaiment losses: General Specific	849 6,835,542	279 2,199,754	1,690,367 696,064	255,863 523,901	1,947,358 10,255,261
	6,836,391	2,200,033	2,386,431	779,764	12,202,619
	162,207	25,741	34.031.884	8,211,754	42,431,586
	102,207	25,741	34,031,004	0,211,754	42,431,360
Finance facilities individually determined to be impaired before deducting any provision	8,300,152	2,641,464	1,303,527	9,430,687	21,675,830

The fair value of Islamic financing receivables approximates the carrying value at the reporting date except for the general provision which is based on the requirements of the Central Bank of Kuwait.

# 12 ISLAMIC FINANCING RECEIVABLES (continued)

The distribution of Islamic financing receivables by industry sector was as follows:

	2013 KD	2012 <b>KD</b>
Construction and real estate	29,148,523	34,031,884
Consumer	3,498	156,421
Others	2,335,934	8,243,281
	31,487,955	42,431,586

Islamic financing receivables is stated net of impairment losses as follows:

	Gen	General		Specific		Total	
	2013	<b>2013</b> 2012		2012	2013	2012	
	KD	KD	KD	KD	KD	KD	
At 1 January	1,947,358	6,150,242	10,255,261	11,961,185	12,202,619	18,111,427	
Provision (reversal) during the year	211,295	(5,885,247)	3,244,285	-	3,455,580	(5,885,247)	
Reclassification	(212,038)	1,705,924	212,038	(1,705,924)	-	-	
Written off	(121,895)	(23,561)	(50,771)	-	(172,666)	(23,561)	
At 31 December	1,824,720	1,947,358	13,660,813	10,255,261	15,485,533	12,202,619	

### 13 TRADING PROPERTIES

Certain properties located in Kuwait, Oman and Lebanon with carrying value of KD 1,246,300 (2012: KD 1,960,332) are registered in the name of nominees who have confirmed in writing that the group has the beneficial ownership interest in those properties through a letter of assignment. Properties located in Oman and Lebanon are not registered in the name of the group since the group has neither branches nor subsidiaries in those countries.

Certain properties with carrying value of KD 3,441,216 (2012: KD 3,345,608) represent group's investment in jointly controlled properties acquired under joint venture agreement with strategic investment partners.

Trading properties include repossessed properties of KD 6,590,588 (2012: KD 2,426,300) recorded at fair market value against real estate financing deals of KD 4,632,932 (2012: KD 1,526,800) and the difference was recorded in accounts payable and accruals of KD 1,957,656 (2012: KD 899,500).

Certain property amounting to KD 1,877,750 are pledged against islamic financing payables.

### 14 AVAILABLE FOR SALE INVESTMENTS

	2013 KD	Restated 2012 KD
Quoted equity securities Unquoted equity securities Real estate funds and portfolios	1,813,426 4,172,666 3,549,961	310,032 10,374,861 6,979,393
	9,536,053	17,664,286

Unquoted equity securities are carried at cost due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value.

Management has performed a review of its available for sale investments to assess whether impairment has occurred in the value of these investments and recorded an impairment loss of KD 5,413,053 (2012: KD 5,632,278) (Note 9) in the consolidated statement of income. Based on the latest available financial information, management is of the view that no further impairment provision is required as at 31 December 2013 in respect of these investments.

### 15 INVESTMENT IN ASSOCIATES

The group's associates consists of the following entities:

	Country of			interest in uity %
Name of company	Incorporation	Principal Activities	2013	2012
Digla and Furat Development and Investment Bank (Closed) *	Iraq	Banking and investment	-	8.8%
Abyar Real Estate Development Company K.S.C.P.	Kuwait	Real estate	17.5%	17.5%
Sorooh Investment Company K.S.C. (Closed)	Kuwait	Investment	19.2%	19.2%
Makaseb Real Estate Fund	Kuwait	Real estate Fund	15.6%	13.3%
Business Center Portfolio of Dubai Investment Park	Kuwait	Real Estate Portfolio	17.7%	17.7%
Hajar Tower Real Estate Company K.S.C. (Closed)	Kuwait	Residential complex services	18.2%	18.2%
Mashaer Holding Company K.S.C.P.	Kuwait	Holding Company	24.4%	24.4%
Ain Takaful Insurance K.S.C. (Closed)	Kuwait	Takaful insurance	40.0%	40.0%
Rawahel Holding Company K.S.C. (Closed)	Kuwait	Holding Company	33.4%	31.3%
Ajyal Education Company K.S.C. (Closed) **	Kuwait	Education services	-	37.3%
Abyaar Qatar Real Estate Development Company K.S.C. (Closed)	Kuwait	Real Estate	26.2%	26.2%
Al-Jadaf Real Estate Company K.S.C. (Closed)	Kuwait	Real Estate	15.0%	15.0%
Auto Land San Tic A.S.	Turkey	Automotive	27.3%	27.3%
Al Alamiya for Gypsym Company	Oman	Gypsym products	20.4%	20.4%
Al Alamiya for Mining Company	Oman	Mining products	20.4%	20.4%
Al Alamiya for Gypsum Board Company	Oman	Gypsum board products	9.2%	9.2%
Integral Logistics Services Company E.S.C	Egypt	Logistic Services	-	23.6%
Oman Integral Logistcs Company O.S.C.C	Oman	Logistic Services	24.0%	24.0%
Aayan Leasing Company – W.L.L.	Qatar	Leasing Company	33.0%	33.0%
Al Qawa Holding Company	Kuwait	Holding Company	26.0%	26.0%

# 15 INVESTMENT IN ASSOCIATES (continued)

\* During the current year the group has transferred its investment in Digla and Furat Development and Investment Bank (Closed) from investment in associate to available for sale investment due to loss of significant influence over the investee. The group has recorded loss of KD 453,000 on transfer of investment in associate to available for sale investments.

Investment in associate includes goodwill amounting to KD 2,232,000 (2012: KD 3,308,973).

	2013 KD	Restated 2012 KD
Share of associates' assets and liabilities:		
Assets Liabilities	93,803,748 30,325,226	115,895,807 44,878,696
Net assets	63,478,522	71,017,111
Contingent liabilities and commitments	1,576,561	1,779,797

	2013	Restated 2012
	KD	KD
Share of associates' revenue and results:		
Revenue Results	15,149,239 1,273,305	29,752,537 (237,267)

Investments in associates with a carrying amount of KD 29,264,058 (2012: KD 31,080,176) are quoted and have a market value of KD 20,240,354 at 31 December 2013 (2012: KD 18,519,510).

The group exercises significant influence (even though the precentage of ownership is less than 20%) over Abyar Real Estate Development Company K.S.C.P, Makaseb Real Estate Fund, Dubai Business Center Portfolio, Sorooh Investment Company K.S.C (Closed), Al Alamiya for Gypsum Board Company, Hajar Tower Real Estate Company K.S.C. (Closed) and Al-Jadaf Real Estate Company K.S.C. (Closed) through representation on the board of directors of these entities and joint participation in major business transactions.

During the current year, the Group has recognised impairment losses amounting to KD 2,002,545 (2012: KD 1,430,935) on investment in associates. Impairment on investment in associates in recorded based on management's assessment of the recoverable values of associates at the reporting date.

<sup>\*\*</sup> During the year group has sold its entire holding in Ajyal Education Company K.S.C.(Closed)

# 15 INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of material associates of the group is as follows:

2013	Abyar Real Estate Development Company K.S.C.P.	Mashaer Holding Company K.S.C.P.	Burj Hajar Real Estate Company	Rawahil Transport Company K.S.C (Closed)	Abyaar Qatar Real Estate Company	Al Jaddaf Real Estate Company	Aayan Qatar Company	Integrated Omaniya Logistics Company
	KD	KD	KD	KD	KD	KD	KD	KD
Assets	193,293,625	69,058,589	78,993,070	29,170,017	16,621,244	15,166,592	14,182,844	6,666,285
Liabilities	(103,349,798)	(21,837,243)	(37,392,410)	(13,260,237)	(6,692)	(246,759)	(3,710,824)	(2,322,427)
Net assets	89,943,827	47,221,346	41,600,660	15,909,780	16,614,552	14,919,833	10,472,020	4,343,858
Contingent liabilities	-	175,837	-	-	-	-	-	-
Net operating income	2,964,206	6,896,231	5,380,997	3,070,617	2,007,356	-	7,109,768	874,162
Results for the year	(4,954,180)	3,675,556	988,930	1,292,310	1,906,991	(21,721)	1,130,615	312,006
Other comprehensive income for the year	299,339	(423,831)	-	-	(11,099)	-	-	-

2012	Abyar Real Estate Development Company K.S.C.P.	Mashaer Holding Company K.S.C.P.	Burj Hajar Real Estate Company	Rawahil Transport Company K.S.C (Closed)	Abyaar Qatar Real Estate Company	Al Jaddaf Real Estate Company	Aayan Qatar Company	Integrated Omaniya Logistics Company
	KD	KD	KD	KD	KD	KD	KD	KD
Assets	194,984,141	73,217,565	87,919,539	26,675,840	14,853,003	15,073,027	11,722,066	5,260,688
Liabilities	(100,385,473)	(26,585,295)	(46,647,809)	(12,058,171)	(134,343)	(131,472)	(1,861,442)	(2,696,725)
Net assets	94,598,668	46,632,270	41,271,730	14,617,669	14,718,660	14,941,555	9,860,624	2,563,963
Contingent liabilities	-	199,727	-	-	-	-	-	-
Net operating income	4,128,774	6,208,303	10,643,232	3,258,408	(6,710)	59,850	925,612	421,482
Results for the year	(11,838,406)	4,311,238	5,753,103	1,247,433	(1,456,843)	44,305	525,331	42,490
Other comprehensive income for the year	900,244	176,618	-	4,447	17,464	-	-	71,551

## 15 INVESTMENT IN ASSOCIATES (continued)

In the previous years, the Group's investment in Makaseb Real Estate Fund and Dubai Business Center Portfolio were erroneously classified in the consolidated statement of financial position as "Available for sale investments". In the current year, management has restated the comparative financial statements as follows to rectify effect of this error in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

This reclassification has resulted in an increase in investment in associates as at 31 December 2012 by KD 2,159,723 (1 January 2012: KD 2,224,473) and decrease in available for sale investments as at 31 December 2012 by KD 2,159,723 (1 January 2012: KD 2,224,473). The impact on consolidated statement of income was decrease in share of results of associates by KD 213,159 for the year ended 31 December 2012 and decrease in impairment losses of available for sale investments by KD 213,159. Further the above reclassification also resulted in an increase in cumulative changes in fair value as at 1 January 2012 by KD 359,454 and increase in accumulated losses by KD 359,454.

#### 16 INVESTMENT PROPERTIES

	2013 KD	2012 KD
At 1 January Additions	107,536,889 9,453,888	114,222,004 2,686,828
Disposals Unrealized gain (loss) on revaluation of investment properties (Note 7) Transfer from property and equipment (Note 18) Foreign currency translation reserve	(34,354,280) 376,207 - (375,470)	(8,425,966) (4,315,082) 3,369,105
At 31 December	82,637,234	107,536,889
Properties fully developed Properties under development	32,802,521 49,834,713	65,383,157 42,153,732
	82,637,234	107,536,889

Investment properties with a fair value of KD 43,695,670 (2012: KD 53,420,915) have been pledged as security for islamic financing payables as set out in Note 24.

The fair value of properties are determined based on the lower of two valuations obtained as at 31 December 2013 from the independent valuers. The fair value is determined by reference to recent transaction of similar properties by independent valuer and are classified under level 2 of fair value hirerachy.

During the year, the parent company has swapped investment properties with carrying value of KD 24,478,950 (2012: KD Nil) against the islamic financing payables as part of debt restructuring (Note 24).

# 17 OTHER ASSETS

	2013 KD	Restated 2012 KD
Receivables on sale of real estate	1,657,636	2,455,220
Prepaid expenses	1,399,383	1,205,743
Amounts due from related parties (Note 28)	1,024,547	1,734,210
Advance to suppliers	876,144	3,990,724
Trade and leasing receivables	12,985,679	7,641,539
Contributions to entities under establishment	3,264,559	3,639,794
Inventories	1,083,917	1,035,465
Other receivables	10,168,055	12,634,231
	32,459,920	34,336,926
Less: provision for impairment	(10,814,376)	(9,291,572)
	21,645,544	25,045,354

Contributions to entities under establishment represent contributions made by the group for the establishment of new entities for which legal formalities have not been finalized.

	2013	Restated 2012
	KD	KD
At 1 January	9,291,572	5,543,088
Charge for the year (Note 9)	3,347,511	4,200,434
Written off	(1,824,707)	(451,950)
At 31 December	10,814,376	9,291,572

				To all and		1		
	Land	Buildings	Furniture and fixtures	Tools and office equipment	Motor vehicles	Leased motor vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost								
At 1 January 2013 Additions	12,122,429 -	5,833,967 7,396	910,520 14,592	11,127,934 406,951	1,573,968 439,468	59,828,218 21,997,779	604,309 88,278	92,001,345 22,954,464
Transfers from capital work in progress Transfer		589,990 -	-		- (506,648)	- (4,055,558)	(589,990) -	- (4,562,206)
Disposals Impairment losses (Note 9)	-	(1,650) -	(27,211) (685)	(577,275) (443)	(726,714)	(10,933,259) (565,069)	<u>.</u>	(12,266,109) (566,197)
At 31 December 2013	12,122,429	6,429,703	897,216	10,957,167	780,074	66,272,111	102,597	97,561,297
<b>Depreciation</b> At 1 January 2013 Depreciation charge for the year Transfer Relating to disposals	:	461,527 289,134 - (1,650)	538,274 154,845 - (22,392)	5,383,934 933,078 - (329,616)	653,041 184,038 (306,153) (377,672)	16,437,063 9,617,041 (4,256,053) (3,676,203)		23,473,839 11,178,136 (4,562,206) (4,407,533)
At 31 December 2013	-	749,011	670,727	5,987,396	153,254	18,121,848	-	25,682,236
Net carrying amount At 31 December 2013	12,122,429	5,680,692	226,489	4,969,771	626,820	48,150,263	102,597	71,879,061
	Land	Buildings	Furniture and fixtures	Tools and office equipment	Motor vehicles	Leased motor vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost								
At 1 January 2012 Additions Transfer to investment properties (Note 16)	14,284,565 - (3,306,855)	6,169,844 208,836 (90,000)	1,410,186 116,083 -	10,301,775 2,068,699 -	2,059,004 114,449 -	67,310,121 24,328,913 -	1,221,699 643,055 -	102,757,194 27,480,035 (3,396,855)
Transfer to assets classified as held for sale (Note 10)	-	(658,058)	(234,830)	(563,332)	-	(9,963,224)	-	(11,419,444)
Transfers from capital work in progress Disposals Revaluation (Note 22)	- - 1,324,751	607,874 (404,529)	(380,919)	(679,208)	(599,485)	(21,265,409)	(607,874) (652,571)	- (23,982,121) 1.324,751
Impairment losses (Note 9)	(180,032)	-	-	-	-	(582,183)	-	(762,215)
At 31 December 2012	12,122,429	5,833,967	910,520	11,127,934	1,573,968	59,828,218	604,309	92,001,345
Depreciation								
At 1 January 2012	-	880,339	961,725	4,084,637	701,150	19,382,899	-	26,010,750
Depreciation charge for the year Transfer to investment properties (Note 16)	-	251,401 (27,750)	151,515 -	1,878,286 -	367,313 -	9,366,561	-	12,015,076 (27,750)
Transfer to assets classified as held for sale (Note 10)	-	(241,944)	(231,061)	(458,846)	-	(3,842,764)	-	(4,774,615)
Relating to disposals	-	(400,519)	(343,905)	(120,143)	(415,422)	(8,469,633)	-	(9,749,622)
At 31 December 2012	-	461,527	538,274	5,383,934	653,041	16,437,063	-	23,473,839
Net carrying amount At 31 December 2012	12,122,429	5,372,440	372,246	5,744,000	920,927	43,391,155	604,309	68,527,506

## 18 PROPERTY AND EQUIPMENT (continued)

The future minimum lease rent receivable on the operating leases of motor vehicles fleet is as follows:

	2013 KD	2012 KD
Income receivable within one year Income receivable within one year to five years	11,893,767 5,053,293	10,721,495 4,926,597
	16,947,060	15,648,092

### 19 GOODWILL

The carrying amount of goodwill allocated to each cash-generating unit is disclosed under segment information (Note 29). The recoverable amount of each segment unit has been determined based on fair value less costs to sell or value in use calculation, using cash flow projections approved by management covering a five-year period.

The calculation of value in use for each segment unit is sensitive to the following assumptions:

- · Profit margins;
- Discount rates;
- · Projected growth rates used to extrapolate cash flows beyond the budget period and
- Local inflation rates.

## **Profit margins**

Profit margins are based on managements estimates. These are increased over the budget period for anticipated market conditions.

#### **Discount rates**

Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the weighted average cost of capital (WACC).

#### Projected growth rates used to extrapolate cash flows beyond the budget period

Assumptions related to these are important because, as well as using industry data for growth rates, management assess how the unit's relative position to its competitors might change over the forecast period.

#### Local inflation rates

Assumptions are based on published industry research.

As a result of the above analysis, management has charged an impairment loss of KD 164,691 (2012: KD 2,822,154) in the consolidated statement of income (Note 9).

#### **20 SHARE CAPITAL**

	2013 KD	2012 KD
Authorized shares of 100 fils each Issued and fully paid cash shares of 100 fils each	82,122,030 81,403,882	67,122,030 67,122,030

During the year ended 31 December 2013, the parent company has increased its paid up share capital by issuing 142,818,529 shares at par value of 100 fils:

• To remaining lenders participating in the debt restructuring amounting to KD 14,281,853. Proceeds from increase in share capital were utilized to settle debt obligations of these lenders. This has resulted in increase in equity and reduction in debts of the group by the same amount.

#### 21 RESERVES

#### a) Statutory reserve

In accordance with the Companies Law and the parent company's Articles of Association, 10% of the profit before directors fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and Zakat should be transferred to the statutory reserve. The parent company may discontinue such transfer when the reserve totals 50% of paid-up share capital. Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of dividend of that amount.

#### b) General reserve

In accordance with the parent company's Articles of Association, 10% of the profit for the year before directors fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and Zakat should be transferred to general reserve. The parent company may resolve to discontinue such annual transfers in accordance with a resolution of the parent company's ordinary general meeting based on proposal submitted by the parent company's board of directors

In accordance with companies law and parent company's articles of association, no transfers have been made to the reserves since previously incurred losses have not yet been fully recovered.

#### 22 REVALUATION RESERVE

This represents excess of valuation over cost of land (classified as property and equipment) in Kuwait. This reserve is currently not available for distribution to the shareholders and will be transferred to accumulated losses upon disposal.

The fair value of land is determined based on the lower of two valuations obtained from the independent valuers. The fair value is determined by reference to recent transaction of similar properties by independent valuer and is classified as level 2 under fair value hierarchy.

### 23 TREASURY SHARES

At 31 December 2013, the parent company held 12,364,842 (2012: 12,364,842) treasury shares equivalent 1.5% (2012: 1.8 %) of total shares issued at cost of KD 11,339,726 (2012: 11,339,726). These shares are not entitled to receive any cash dividend.

The market value of the treasury shares at 31 December 2013 is KD 828,444 (2012: 667,701).

#### 24 ISLAMIC FINANCING PAYABLES

	2013 KD	2012 KD
Islamic financing payables	206,805,424	302,565,184

During the year ended 31 December 2013, the parent company's application to join financial stability law issued by Central Bank of Kuwait was approved. Further all the remaining lenders have joined the debt restructrung agreement.

Duirng the current year, parent company has made following settlements totalling to KD 62 million in addition to cash settlements of KD 26 million:

- The parent company entered into an "asset sale agreement" with the lenders to give effect to debt to asset swap. The parent company has transferred to Special Purpose Entity ("SPE") established by lenders, the restructured debt of KD 35.3 million
- As consideration for SPE assuming liability of the parent company for payment of restructured debt above, the parent company has transferred investment properties and available for sale investments with carrying value of KD 24.5 million and KD 4.5 million respectively to SPE for KD 28.6 million and KD 6.7 million respectively. The transfer of assets has been made for all the lenders including lenders who have agreed to participate in debt restructuring process subsequent to the period end.
- As disclosed in Note 20, lenders subscribed in increase in share capital amounting to KD 14.3 million. The proceeds from this increase in share capital were utilized to settle debt amounting to KD 14.5 million;
- Write off of debt amounting to KD 12.3 million;

# 24 ISLAMIC FINANCING PAYABLES (continued)

· Settlement of the remaining debt of KD 162 million will be as follows:

Date	Payable in KD	Payable in USD (KD equivalent)	Payable in AED (KD equivalent)	Total KD
31 March 2014 31 March 2015 31 March 2016	1,287,035 18,321,328 106,066,168	336,127 4,784,868 27,185,750	43,705 622,157 3,553,901	1,666,867 23,728,353 136,805,819
Total	125,674,531	32,306,745	4,219,763	162,201,039

Further in addition to above, the parent company will settle restructured debt of KD 16 million by debt to receivables swap during 2014.

As a result of signing of the debt restructuring agreement with the remaining lenders, during the year and completion of debt to asset swap, the parent company has recorded following impacts of the debt restructuring in the consolidated statement of income for the year ended 31 December 2013:

- Write off of debts amounting to KD 12,276,229;
- Reversal of finance cost amounting to KD 12,420,980.

Included in the total assets is investment properties with the carrying value of KD 44 million (2012: KD 53 million) and investment in an associate amounting to KD 40 million (2012: KD 48 million), that are secured against islamic financing payables as collaterals in addition to shares of certain subsidiaries.

Islamic financing payables carry effective profit rate of 4% (2012: 4%) per annum.

## **25 OTHER LIABILITIES**

	2013 KD	Restated 2012 KD
Trade payables	5,950,931	11,091,804
Real estate payables	3,230,574	3,561,229
Advances from customers	3,332,802	3,339,002
Employees' leave and end of service benefits	2,899,953	2,970,708
Unpaid cash dividend	65,362	65,362
Amounts due to related parties (Note 28)	2,570	178,999
Other payables and accrued expenses	11,247,185	16,193,679
	26,729,377	37,400,783

### 26 PROPOSED PROFIT DISTRIBUTION AND DIRECTORS' REMUNERATION

The Board of Directors of the parent company have proposed neither bonus issue nor cash dividends for the year ended 31 December 2013 (2012:Nil). This proposal is subject to the approval of the ordinary general assembly of the shareholders of the parent company.

No remuneration to the directors was proposed for the year ended 31 December 2013 and 31 December 2012.

## **27 COMMITMENTS AND CONTINGENCIES**

The group has commitments in respect of future capital expenditure amounting to KD 11,735,086 (2012: KD 5,616,756) relating to capital work in progress.

At 31 December 2013, the group's bankers have given bank guarantees, amounting to KD 1,760,543 (2012: KD 1,804,940) from which it is anticipated that no material liabilities will arise.

## 28 RELATED PARTY TRANSACTIONS

These represent transactions with certain related parties (major shareholders, directors and executive officers of the group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence) entered into by the group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the group's management.

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

	Associates	Major shareholders	Other related parties	Total 2013	Total 2012
	KD	KD	KD	KD	KD
Murabaha and dividend income	-	20,796	-	20,796	288
Debt write-off and finance cost reversal Finance costs	83,780	2,544,868	-	2,628,648	15,334,428 7,618,146
Advisory, consultancy and other fees	190,375	-	-	190,375	(135,957)

Significant balances with related parties included in the statement of financial position are as follows:

	Associates KD	Major shareholders KD	Other related parties KD	Total 2013 KD	Total 2012 KD
Cash and bank balances Amounts due from related parties Islamic financing payables Amounts due to related parties Loan to key management employees	1,024,547 1,579,087 2,570	8,866,462 - 79,131,296 -	- - - - 44,500	8,866,462 1,024,547 80,710,383 2,570 44,500	10,263,534 1,265,568 105,151,676 178,999 49,500
Issuance of share capital	-	-	-	-	18,072,957

Amounts due to / due from related parties do not carry any profit and are payable/receivable on demand.

# 28 RELATED PARTY TRANSACTIONS (continued)

Key management compensation:

	2013 KD	2012 KD
Salaries and other short term benefits Employees end of service benefits	1,239,376 156,877	1,153,168 144,422
Total	1,396,253	1,297,590

## 29 SEGMENTAL INFORMATION

For management purposes, the group is organised into four major business segments. The principal activities and services under these segments are as follows:

- · Islamic financing: Providing a range of Islamic products to corporate and individual customers;
- Operating leases: Leasing of vehicle and equipment to corporate and individual customers
- Real estate and asset management: Buying, selling, and investing in real estate and managing funds and portfolios;
- Proprietary investment management: investing of company funds in securities, financing to corporate and individual customers and managing the company's liquidity requirements.

	Islamic financing	Operating lease	Real estate and assets management	Proprietary investment management	Others	Total
	KD	KD	KD	KD	KD	KD
At 31 December 2013						
Assets	2,339,432	82,532,918	51,461,599	189,585,604	10,562,362	336,481,915
Liabilities	1,487,714	54,955,852	32,725,944	134,722,032	9,643,259	233,534,801
Goodwill	-	945,874	-	6,074,148	-	7,020,022
Year ended 31 December 2013						
Income	142,402	23,277,087	7,448,147	16,604,368	-	47,472,004
(Loss) income for the year	(4,237,062)	3,043,298	1,721,769	(4,619,474)	23,937,832	19,846,363
Depreciation	-	(10,041,330)	-	(1,136,806)	-	(11,178,136)
Impairment (reversal) losses	(3,491,201)	(1,019,462)	(2,257,509)	(7,986,260)	-	(14,754,432)
Share of results of associates	-	436,500	-	836,805	-	1,273,305
Other						
Capital expenditure		21,997,779		-	956,685	22,954,464
Investment in associates	-	9,374,107	-	56,336,415		65,710,522

# 29 SEGMENTAL INFORMATION (continued)

	Islamic financing	Operating lease	Real estate and assets management	Proprietary investment management	Others	Total
	KD	KD	KD	KD	KD	KD
At 31 December 2012 (Restated) Assets	8,399,703	74,241,155	78,090,112	216,845,059	35,507,518	413,083,547
Liabilities	6,633,596	60,167,640	61,671,017	182,024,971	32,041,903	342,539,127
Goodwill	-	1,110,567	-	6,074,149		7,184,716
Year ended 31 December 2012 (Restated)						
Income	467,969	23,507,023	(4,145,162)	10,568,899	25,538,389	55,937,118
Income (loss) for the year	6,801,938	(620,190)	(8,782,360)	(19,431,740)	21,357,115	(675,237)
Depreciation	(580)	(9,771,367)	(3,022)	(1,365,343)		(11,140,312)
Impairment (reversal) losses	4,800,000	(161,671)	(3,340,672)	(9,948,289)		(8,650,632)
Share of results of associates	-	263,981	-	(501,248)		(237,267)
Other						
Capital expenditure	-	24,328,913	-	-	3,151,122	27,480,035
Investment in associates	-	9,719,482	-	64,606,602	-	74,326,084

The majority of the group's assets and operation are located in the State of Kuwait.

#### 30 RISK MANAGEMENT

Risk is inherent in the group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the group's achieving profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. The group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the group's strategic planning process.

The Board of Directors of the parent company are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

#### **30.1 CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis.

The group has policies and procedures in place to limit the amount of credit exposure to any counter party. These procedures include the non-concentration of credit risk.

### Maximum exposure to credit risk

The group's policy is to enter in to Islamic financing arrangements only with recognized, creditworthy third parties. The maximum exposure is the gross amount as disclosed in Note 13. In addition, these receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of the group, which comprise bank balances and certain classes of other assets, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

## Risk concentrations of the maximum exposure to credit risk

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration indicates the relative sensitivity of the group's performance to developments affecting a particular industry or geographic location.

The maximum credit exposure to any client or counterparty as of 31 December 2013 was KD 3,586,922 (2012: KD 5,935,438) before taking account of collateral or other credit enhancements.

The group's Islamic financing receivable is primarily granted to clients located in Kuwait.

The distribution of assets by industry sector was as follows:

	2013	Restated 2012
	KD	KD
Banks and financial institutions	24,371,087	45,808,773
Construction and real estate	206,591,494	239,427,607
Consumer	48,867,498	48,438,571
Others	56,651,582	79,408,596
	336,481,908	413,083,547

### 30.1 CREDIT RISK (continued)

### Collateral and other credit enhancements

The Islamic financing receivables are primarily secured against the underlying assets like real estate properties, securities and motor vehicles. Additional collateral may be requested.

The group can sell the collateral in case of default by the borrower in accordance with the agreements entered with the borrowers. The group has an obligation to return the collateral on the settlement of the receivable.

### Credit quality for class of financial assets

Neither internal credit grading system nor external credit grades are used by the group to manage the credit quality of Islamic financing receivables.

The group manages the credit quality by ensuring that adequate collaterals are available for all the individual facilities granted, which the management reviews on a regular basis.

The group seeks to avoid undue concentrations of risks with individuals or groups of customers in business through diversification of financing and investing activities. The table below summarises the credit quality of islamic financing receivables.

	Neither past due nor impaired 2013 KD	Past due or impaired 2013 KD	Total 2013 KD
Islamic financing receivables: Musawama	850	5,056	5,906
ljara	22,222	-	22,222
Real estate	28,970,766	177,757	29,148,523
Tawarruq	-	2,311,304	2,311,304
	28,993,838	2,494,117	31,487,955

	Neither past due nor impaired	Past due or impaired	Total
	2012	2012	2012
	KD	KD	KD
Islamic financing receivables: Musawama	30,287	131,920	162,207
ljara	25,741	=	25,741
Real estate	24,015,887	10,015,997	34,031,884
Tawarruq	847,082	7,364,672	8,211,754
	24,918,997	17,512,589	42,431,586

### 30.1 CREDIT RISK (continued)

Aging analysis of past due but not impaired finance facilities

	Less than 30 days 2013 KD	31 to 60 days 2013 KD	61 to 90 days 2013 KD	Total 2013 KD
Islamic financing receivables: Real estate	113,622	57,345	_	170,967
	113,622	57,345	-	170,967

	Less than 30 days 2013 KD	31 to 60 days 2013 KD	61 to 90 days 2013 KD	Total 2013 KD
Islamic financing receivables:				
Musawama Real estate	16,811 9,391,700	28,407 114,612	8,676 -	53,894 9,506,312
	9,408,511	143,019	8,676	9,560,206

See Note 13 for more detailed information with respect to the allowance for impairment losses on Islamic financing receivable.

#### **30.2 LIQUIDITY RISK**

Liquidity risk is the risk that the group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management strive to diversity funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities. However, due to the global, regional and local liquidity and credit deterioration, the group has experienced significant liquitidy concerns.

### Analysis of financial assets and liabilities by remaining contractual maturities

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the year end are based on contractual repayment arrangement, except for available for sale investments, trading properties, investment properties and investment in associates, which are based on management's estimate of planned exit dates.

# 30.2 LIQUIDITY RISK (continued)

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

	Within	3 to 6	6 to 12	1 to 3	Over	
	3 months	months	months	years	3 years	Total
	KD	KD	KD	KD	KD	KD
Cash and bank balances	22,084,205	-	-	216,804	-	22,301,009
Islamic financing recievables	8,816,291	7,429,781	9,191,805	2,698,370	3,351,708	31,487,955
Trading properties	-	-	24,223,540	-	-	24,223,540
Available for sale investments	2,893,758	-	1,933,348	2,870,960	1,837,987	9,536,053
Investment in associates Investment properties Other assets Property and equipment Goodwill Assets classified as held for sale	21,221,984 8,839,254 3,884,113 -	3,298,237 4,045,506 -	790,069 8,339,628 7,721,725 - 40,975	52,594,236 30,385,566 1,168,425 23,521,296	13,116,286 30,239,615 - 32,706,421 7,020,022	65,710,522 82,637,234 21,645,544 71,879,061 7,020,022 40,975
TOTAL ASSETS	67,739,605	14,773,524	52,241,090	113,455,657	88,272,039	336,481,915
LIABILITIES Islamic financing payables Other liabilities	22,177,921 5,994,063	3,332,728 4,952,410	3,025,483 12,750,149	173,669,292 928,815	4,600,000 2,103,940	206,805,424 26,729,377
TOTAL LIABILITIES	28,171,984	8,285,138	15,775,632	174,598,107	6,703,940	233,534,801
NET	39,567,621	6,488,386	36,465,458	(61,142,450)	81,568,099	102,947,114

# 30.2 LIQUIDITY RISK (continued)

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

	Within	3 to 6	6 to 12	1 to 3	Over	
(Restated)	3 months	months	months	years	3 years	Total
	KD	KD	KD	KD	KD	KD
Assets						
Cash and bank balances	44,285,349	-	-	756,200	-	45,041,549
Islamic financing recievables	16,369,060	7,842,888	14,664,720	3,203,105	351,813	42,431,586
Trading properties	-	-	21,355,509	-	-	21,355,509
Available for sale investments	497,270	-	6,323,369	7,147,332	3,696,315	17,664,286
Investment in associates Investment properties	2,383,395 2,591,000	4,272,000	- 42,842,514	51,863,756 32,263,973	20,078,933 25,567,402	74,326,084 107,536,889
Other assets	10,029,108	3,309,482	2,842,377	6,054,823	2,809,564	25,045,354
Property and equipment	1,893,780	2,955,791	14,270,161	12,265,309	37,142,465	68,527,506
Goodwill	-	-	-	-	7,184,716	7,184,716
Assets classified as held	_	_		_	_	
for sale			3,970,068			3,970,068
TOTAL ASSETS	78,048,962	18,380,161	106,268,718	113,554,498	96,831,208	413,083,547
LIABILITIES						
Islamic financing payables	129,289,981	11,116,582	30,345,319	31,187,516	100,625,786	302,565,184
Other liabilities	7,598,075	4,713,947	13,261,617	9,945,533	1,881,611	37,400,783
Liabilities associated with assets						
classified as held for sale	-	-	2,573,160	-	-	2,573,160
TOTAL LIABILITIES	136,888,056	15,830,529	46,180,096	41,133,049	102,507,397	342,539,127
NET	(58,839,094)	2,549,632	60,088,622	72,421,449	(5,676,189)	70,544,420

The table below shows the contractual expiry by maturity of the group's financial liabilities based on contractual undiscounted payments:

	Less than 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
2013				
Islamic financing payables Other liabilities	23,720,609 5,994,063	7,473,382 17,702,559	178,302,674 3,032,755	209,496,665 26,729,377
	29,714,672	25,175,941	181,335,429	236,226,042
2012 (Restated)				
Islamic financing payables	137,813,846	42,085,901	124,714,861	304,614,608
Other liabilities	7,598,075	17,975,564	11,827,144	37,400,783
Liabilities associated with assets classified as held for sale	-	2,573,160	-	2,573,160
	145,411,921	62,634,625	136,542,005	344,588,551

## 30.2 LIQUIDITY RISK (continued)

Contractual maturities disclosed in table above for Islamic financing payable include finance cost payable by the parent company on restructured Islamic financing payable up to the date of expiry of current deal on 31 March 2014. These Islamic financing payable are renewed every 6 months.

The table below shows the contractual expiry by maturity of the group's contingent liabilities and commitments:

	Less than 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
2013				
Contingent liabilities Commitments	123,142 2,447,039	1,456,395 5,755,544	181,006 3,532,503	1,760,543 11,735,086
	2,570,181	7,211,939	3,713,509	13,495,629
2012 Contingent liabilities Commitments	234,601 308,868	1,404,149 2,354,400	166,190 2,953,488	1,804,940 5,616,756
	543,469	3,758,549	3,119,678	7,421,696

The group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

## 30.3 MARKET Risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

## **Equity price risk**

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the group's investment portfolio. The exposure to equity price risk is not significant as available for sale investments mainly comprise of unquoted equity securities and funds.

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The group believes it is not exposed to interest rate risk as its islamic financial instruments are fixed rate instruments.

30.3 MARKET Risk (continued)

# **Currency risk**

Currency risk is managed by the treasury department of the parent company on the basis of limits determined by the parent company's Board of Directors and a continuous assessment of the group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the group does not hedge foreign currency exposures.

The group has a net US dollars liability exposure at 31 December 2013 equivalent to KD 35,729,351 (2012: KD 63,044,299).

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

	20	2013		2012	
Currency	Change in currency rate in %	Effect on profit KD	Change in currency rate in %	Effect on loss KD	
US Dollars	+1	(357,294)	+1	630,443	

## Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

## 31 CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and financial position of the group.

As disclosed in Note 20, the parent company has finalised debt to restructuring with the lender and has increased its share capital.

The group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group includes within net debt, islamic financing payables and other liabilities less cash and bank balances. Capital includes equity attributable to the equity holders of the parent company.

		(Restated)
	2013 KD	2012 KD
Islamic financing payables	206,805,424	302,565,184
Other liabilities	26,729,377	37,400,783
Liabilities associated with assets classified as held for sale	-	2,573,160
Less: Cash and bank balances	(22,301,009)	(45,041,549)
Net debt	211,233,792	297,497,578
Equity attributable to the equity holders of the parent	58,025,504	24,791,393
Capital and net debt	269,259,296	322,288,971
Gearing ratio	78%	92%

### 32 FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy:

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

2013	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
Financial assets available for sale: Quoted equity investments Unquoted equity investments Unquoted mutual fund investments	1,813,426 - -	- 1,198,306	1,829,608 -	1,813,426 1,829,608 1,198,306
	1,813,426	1,198,306	1,829,608	4,841,340

# 32 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2012	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
Financial assets available for sale:  Quoted equity investments  Unquoted equity investments  Unquoted mutual fund investments	310,032 - -	- - 1,206,031	5,221,595 -	310,032 5,221,595 1,206,031
	310,032	1,206,031	5,221,595	6,737,658

There have not been any transfers between the levels during the year. The movement in Level 3 fair value hierarchy during the year is given below:

# Assets measured at fair value

	At January 2013 KD	Gain recorded in OCI KD	Impairments KD	Net (sales) purchase and settlement KD	At 31 December 2013 KD
Financial assets availablefor sale: - Unquoted equity investments	5,221,595	287,542	(3,573,029)	(106,500)	1,829,608
	5,221,595	287,542	(3,573,029)	(106,500)	1,829,608

## Assets measured at fair value

	At January 2012 KD	Impairments KD	Net (sales) purchase and settlement KD	At 31 December 2012 KD
Financial assets availablefor sale: - Unquoted equity investments	6,245,888	(994,293)	(30,000)	5,221,595
	6,245,888	(994,293)	(30,000)	5,221,595