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ALI OWAID RUKHAEYES

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statement of Al Mazaya Holding Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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 AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) (continued)

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

Other matters
The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2012.

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

WALEED A. AL OSAIMI
LICENCE NO. 68-A
OF ERNST & YOUNG
Al AIBAN, AL OSAIMI & PARTNERS

ALI OWAID RUKHEYES
LICENCE NO. 72-A
MEMBER OF THE INTERNATIONAL
ACCOUNTING GROUP

_____2013
Kuwait

Al Mazaya Holding Company K.S.C. and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 KD	2011 KD
ASSETS			
Non-current assets			
Goodwill		2,266,732	3,091,732
Property and equipment		160,913	129,703
Investment properties	8	74,474,146	73,856,672
Investment in joint ventures	9	4,548,739	3,221,917
Investment in associates	10	14,082,064	13,568,654
Financial assets available for sale	11	12,894,223	16,334,617
		108,426,817	110,203,295
Current assets			
Properties held for trading	12	93,788,246	107,372,223
Accounts receivable and other debit balances	13	5,446,486	20,576,478
Cash and cash equivalents	14	13,391,425	23,542,732
		112,626,157	151,491,433
Total assets		221,052,974	261,694,728
EQUITY AND LIABILITIES			
Equity			
Share capital	15	64,931,977	64,931,977
Share premium	15	21,655,393	79,760,732
Statutory reserve	17	9,680,212	9,646,725
Voluntary reserve	17	6,745,292	6,711,805
Effect of changes in subsidiary's equity		88,611	88,612
Effect of changes in subsidiary's treasury shares		(457,645)	(457,645)
Fair value reserve		941,890	327,700
Treasury shares	16	(21,788,181)	(21,788,181)
Foreign currency translation reserve		1,266,420	463,648
Retained earnings(accumulated losses)		223,577	(58,105,339)
Equity attributable to equity holders of the Parent Company		83,287,546	81,580,034
Non-controlling interests		4,552,282	5,286,562
Total equity		87,839,828	86,866,596
Liabilities			
Non-current liabilities			
Employees' end of service benefits		336,911	286,890
Term loans	18	31,000,000	38,000,000
		31,836,911	38,286,890
Current liabilities			
Term loans	18	7,000,000	4,500,000
Wakala and murabaha payables	19	8,500,000	8,500,000
Deferred consideration on acquisition of properties	20	3,947,108	3,866,170
Advances from customers		62,069,979	80,451,988
Accounts payable and other credit balances	21	17,443,352	36,251,242
Bank overdrafts	14	2,915,796	2,971,842
		101,876,235	136,541,242
Total liabilities		133,213,146	174,828,132
TOTAL LIABILITIES AND EQUITY		221,052,974	261,694,728

Rasheed Y. Al Nafisi
Chairman

The attached notes 1 to 30 form part of these consolidated financial information.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2012

	Notes	2012 KD	2011 KD
Revenue from sale of properties held for trading		29,301,615	84,842,960
Rental income		2,843,665	1,608,759
Net management fees and commission income	22	1,356,697	1,212,769
REVENUE		33,648,962	87,664,488
Cost of sale of properties held for trading		(23,592,161)	(59,361,095)
Cost of rental		(931,637)	(767,490)
COST OF REVENUE		(24,670,784)	(60,128,585)
GROSS PROFIT		8,978,178	27,535,903
General and administrative expenses		(2,781,900)	(2,673,877)
Marketing expenses		(119,654)	(107,000)
Professional services fees		(318,004)	(267,407)
Depreciation		(93,706)	(202,093)
Change in fair value of investment properties	8	(1,965,753)	(11,239,341)
Net reversal of Impairment loss on properties held for trading		1,433,049	(18,760,205)
Impairment of goodwill		(825,000)	-
Allowance for doubtful debts		(236,167)	(9,647,663)
OPERATING PROFIT (LOSS)		4,071,043	(15,361,683)
Net investment loss	23	(2,532,136)	(100,839)
Share of results of associates	10	(47,299)	(171,153)
Share of results of joint ventures		873,007	(284,018)
Provisions No Longer Required		979,593	-
Loss on sale of a joint venture	9	-	(18,061)
Murabaha income		-	75,268
Interest income		114,489	187,838
Finance costs		(3,260,256)	(3,409,445)
Other income		158,300	
Foreign exchange (loss) gain		(21,868)	257,308
Profit (loss) for the period before contribution to Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat		334,873	(18,824,785)
KFAS		-	-
NLST		-	-
Zakat		-	-
		334,873	(18,824,785)
Attributable to:			
Equity holders of the Parent Company		290,553	(15,842,218)
Non-controlling interests		44,320	(2,982,567)
PROFIT (LOSS) FOR THE YEAR		217,216	(18,824,785)
BASIC AND DILUTED EARNING (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	7	0.41fils	(28.24) fils

The attached notes 1 to 30 form part of these consolidated financial information.