Interim Condensed Consolidated Financial Information and Review Report

# International Financial Advisors – KSC (Closed) and Subsidiaries

# Kuwait

30 June 2013 (Unaudited)

# Contents

# Report on review of interim condensed consolidated financial information

To the board of directors of
International Financial Advisors – KSC (Closed)
Kuwait

*Introduction*
We have reviewed the accompanying interim condensed consolidated statement of financial position of International Financial Advisors (A Kuwaiti Closed Shareholding Company) and its subsidiaries as of 30 June 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in note (2). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in note (2).

*Emphasis of matter*
Without qualifying our conclusion, we draw attention to note (13) of the interim condensed consolidated financial information as the group has recorded the investment property valuation unrealised gains resulted from one of its subsidiaries valuated on 31 December 2012 and recorded in the interim condensed consolidated statement of income of this period.

**Report on review of other legal and regulatory requirements**

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Group. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. (25) of 2012 or of the articles of association of the Company, as amended, have occurred during the six-month period ended 30 June 2013 that might have had a material effect on the business or financial position of the Group.

We further report that, during the course of our review, we have not become aware of any material violations during the six-month period ended 30 June 2013 of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.

| | |
|---|---|
| Abdullatif M. Al-Aiban (CPA) | Ali A. Al-Hasawi |
| (Licence No. 94-A) | (Licence No. 30-A) |
| of Grant Thornton – Al-Qatami, Al-Aiban & Partners | Rödl  Middle East |
| | Burgan – International Accountants |

# Interim condensed consolidated statement of income

| | Notes | Three months ended | | Six months ended | |
|---|---|---|---|---|---|
| | | **30 June 2013 (Unaudited) KD** | 30 June 2012 (Unaudited) KD | **30 June 2013 (Unaudited) KD** | (Restated) 30 June 2012 (Unaudited) KD |
| **Revenue** | | | | | |
| Interest and similar income | | **84,108** | 39,173 | **360,253** | 209,816 |
| Management fees and commission income | | **358,224** | 124,310 | **573,964** | 373,111 |
| Dividends income | | **7,542** | 280,411 | **129,987** | 678,613 |
| Net income from hoteliers and related services | | **2,695,505** | - | **4,282,248** | 1,155,008 |
| Net loss from investments at fair value through profit or loss | 6 | **(754,876)** | (836,330) | **(1,283,173)** | (49,873) |
| Gain on sale of asset classified as held for sale | 11 | **12,876,430** | - | **12,938,184** | 749,694 |
| Loss/(gain) on sale of properties under development | 7 | **(2,517,233)** | (58,706) | **(2,306,855)** | 132,973 |
| Loss on sale of shares in associate and joint ventures | | **(3,167)** | (1,189,362) | **(78,306)** | (2,386,742) |
| Share of (loss)/gain from associates and joint ventures | | **(1,514,345)** | 75,314 | **(1,563,298)** | (1,069,702) |
| Gain on sale of available for sale investments | | **-** | 93,642 | **667,622** | 71,589 |
| Changes in fair value of investment properties | 13 | **-** | - | **19,932,188** | - |
| Foreign currency exchange loss | | **(119,466)** | (107,683) | **(574,698)** | (133,605) |
| Other loss/( income) | | **(123,348)** | (20,494) | **(3,038,223)** | 1,536,202 |
| **Total income/ (loss)** | | **10,989,374** | (1,599,725) | **30,039,893** | 1,267,084 |
| **Expenses and other charges** | | | | | |
| Interest and similar expense | | **3,125,995** | 1,158,612 | **5,673,702** | 3,416,963 |
| Staff and related costs | | **1,910,305** | 264,475 | **3,139,390** | 1,359,955 |
| Other operating expenses | | **2,587,768** | 182,168 | **6,924,933** | 3,423,452 |
| Impairment loss in value of available for sale investments | | **58,905** | 267,083 | **516,170** | 998,274 |
| Impairment loss in value of the shareholders' loan granted to an associate | 14.2 | **-** | - | **3,216,178** | - |
| Impairment loss in value of receivables and other assets | | **-** | - | **764,883** | - |
| Depreciation | | **879,612** | 33,872 | **1,322,679** | 474,645 |
| **Total expenses and other charges** | | **8,562,585** | 1,906,210 | **21,557,935** | 9,673,289 |
| **Profit/(loss) before contribution to KFAS, National Labour Support Tax, Zakat provision and taxation on overseas subsidiaries** | | **2,426,789** | (3,505,935) | **8,481,958** | (8,406,205) |
| Taxation on overseas subsidiaries | | **(38,869)** | 15,635 | **(1,513,715)** | 174,616 |
| Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) | | **(59,085)** | - | **(87,137)** | - |
| Zakat provision | | **(65,650)** | - | **(96,819)** | - |
| National Labour Support Tax | | **(164,125)** | - | **(242,047)** | - |
| **Profit/(loss) for the period** | | **2,099,060** | (3,490,300) | **6,542,240** | (8,231,589) |
| **Attributable to :** | | | | | |
| Owners of the parent company | | **373,626** | (4,235,655) | **2,067,846** | (9,001,123) |
| Non-controlling interests | | **1,725,434** | 745,355 | **4,474,394** | 769,534 |
| **Profit/(loss) for the period** | | **2,099,060** | (3,490,300) | **6,542,240** | (8,231,589) |
| **Basic and diluted earnings/(loss) per share attributable to the owners of the parent company (Fils)** | 8 | **0.56** | (6.32) | **3.08** | (13.43) |

# Interim condensed consolidated statement of comprehensive income

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **30 June 2013 (Unaudited) KD** | 30 June 2012 (Unaudited) KD | **30 June 2013 (Unaudited) KD** | 30 June 2012 (Unaudited) KD |
| Profit/(loss) for the period | **2,099,060** | (3,490,300) | **6,542,240** | (8,231,589) |
| ***Other comprehensive (loss)/income:*** | | | | |
| Exchange differences arising on translation of foreign operations | **(768,605)** | 18,233 | **(94,254)** | 656,301 |
| Available for sale investments: | | | | |
| - Net change in fair value during the period | **(859,038)** | (2,337,658) | **(968,730)** | 477,493 |
| - Transferred to interim condensed consolidated statement of income on sale | **-** | - | **(1,990,120)** | - |
| - Transferred to interim condensed consolidated statement of income on impairment | **58,905** | 267,084 | **516,170** | 998,275 |
| - Share of other comprehensive income/(loss) of associates and joint ventures | **(277,224)** | 277,394 | **1,009,384** | 1,766,289 |
| Total other comprehensive (loss)/income | **(1,845,962)** | (1,774,947) | **(1,527,550)** | 3,898,358 |
| **Total comprehensive income/(loss) for the period** | **253,098** | (5,265,247) | **5,014,690** | (4,333,231) |
| **Attributable to:** | | | | |
| Owners of the parent company | **(1,472,336)** | (6,010,602) | **540,296** | (5,102,765) |
| Non-controlling interests | **1,725,434** | 745,355 | **4,474,394** | 769,534 |
| | **253,098** | (5,265,247) | **5,014,690** | (4,333,231) |

# Interim condensed consolidated statement of financial position

| | Notes | 30 June 2013 (Unaudited) KD | (Restated) 31 Dec. 2012 (Audited) KD | (Restated) 30 June 2012 (Unaudited) KD |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 9 | **26,136,660** | 14,014,983 | 5,108,320 |
| Investments at fair value through profit or loss | 6 | **2,771,922** | 5,999,369 | 17,735,834 |
| Receivables and other debit balances | | **16,339,061** | 16,197,848 | 15,324,840 |
| Loans receivable | | **2,605,976** | 3,395,109 | 4,484,991 |
| Due from related parties | 24 | **11,135,026** | 2,938,391 | 3,026,061 |
| Trading properties | 10 | **5,916,510** | 5,466,261 | 5,932,053 |
| Asset classified as held for sale | 11 | **-** | 8,015,422 | 10,273,464 |
| Available for sale investments | 12 | **37,590,263** | 45,250,188 | 42,700,329 |
| Investment properties | 13 | **60,304,429** | 30,463,337 | 32,404,178 |
| Investments in associates and joint ventures | 14 | **53,746,527** | 57,657,356 | 69,064,819 |
| Goodwill | | **48,672,199** | 48,678,399 | 48,684,318 |
| Properties under development | 15 | **131,654,591** | 149,299,941 | 148,472,121 |
| Capital work in progress | 16 | **12,995,584** | 100,098,408 | 89,061,052 |
| Property, plant and equipment | 17 | **118,809,133** | 33,668,004 | 38,935,264 |
| **Total assets** | | **528,677,881** | 521,143,016 | 531,207,644 |
| **Liabilities and equity** | | | | |
| **Liabilities** | | | | |
| Payables and other credit balances | 18 | **80,412,843** | 66,847,476 | 68,544,884 |
| Due to related parties | 24 | **24,235,237** | 18,081,442 | 19,928,598 |
| Term loan from a related party | 24 | **9,943,636** | 9,943,636 | 11,663,637 |
| Borrowings | 19 | **181,131,839** | 187,153,653 | 186,206,749 |
| Advances received from customers | | **124,838,605** | 136,198,130 | 127,527,969 |
| **Total liabilities** | | **420,562,160** | 418,224,337 | 413,871,837 |
| **Equity** | | | | |
| **Equity attributable to the owners of the parent company** | | | | |
| Share capital | | **72,000,000** | 72,000,000 | 72,000,000 |
| Share premium | | **11,973,061** | 11,973,061 | 11,973,061 |
| Treasury shares | 20 | **(32,869,551)** | (32,869,551) | (32,896,967) |
| Statutory and voluntary reserves | | **61,408,598** | 61,408,598 | 61,649,505 |
| Cumulative changes in fair value | | **10,480,510** | 11,913,806 | 7,336,206 |
| Foreign currency translation reserve | | **(4,773,159)** | (4,678,905) | (3,841,081) |
| Accumulated losses | | **(31,014,991)** | (33,084,165) | (16,449,651) |
| **Total equity attributable to the owners of the parent company** | | **87,204,468** | 86,662,844 | 99,771,073 |
| **Non-controlling interests** | | **20,911,253** | 16,255,835 | 17,564,734 |
| **Total equity** | | **108,115,721** | 102,918,679 | 117,335,807 |
| **Total liabilities and equity** | | **528,677,881** | 521,143,016 | 531,207,644 |
| **Fiduciary accounts** | | **91,144,511** | 81,929,620 | 74,351,373 |

Saleh Saleh Al-Selmi
Chairman & CEO

Talal Jassim Al-Bahar
Vice Chairman

*The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.*

 

# Interim condensed consolidated statement of changes in equity

| | Equity attributable to the owners of the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital KD | Share premium KD | Treasury shares KD | Statutory and voluntary reserves KD | Cumulative changes in fair value KD | Foreign currency translation reserve KD | Accumulated losses KD | Sub – total KD | Non-controlling interests KD | Total KD |
| **Balance as at 1 January 2013 (Audited)** | 72,000,000 | 11,973,061 | (32,869,551) | 61,408,598 | 11,913,806 | (4,678,905) | (33,084,165) | 86,662,844 | 16,255,835 | 102,918,679 |
| Profit for the period | - | - | - | - | | | 2,067,846 | 2,067,846 | 4,474,394 | 6,542,240 |
| Other comprehensive loss | - | - | - | - | (1,433,296) | (94,254) | - | (1,527,550) | - | (1,527,550) |
| Total comprehensive (loss)/income for the period | - | - | - | - | (1,433,296) | (94,254) | 2,067,846 | 540,296 | 4,474,394 | 5,014,690 |
| Gain arising on partial disposal of subsidiary shares | - | - | - | - | - | - | 1,328 | 1,328 | - | 1,328 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | 181,024 | 181,024 |
| **Balance as at 30 June 2013 (Unaudited)** | **72,000,000** | **11,973,061** | **(32,869,551)** | **61,408,598** | **10,480,510** | **(4,773,159)** | **(31,014,991)** | **87,204,468** | **20,911,253** | **108,115,721** |

 

# Interim condensed consolidated statement of changes in equity (continued)

| | Equity attributable to the owners of the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital KD | Share premium KD | Treasury shares KD | Statutory and voluntary reserves KD | Cumulative changes in fair value KD | Foreign currency translation reserve KD | Accumulated losses KD | Sub – total KD | Non-controlling interests KD | Total KD |
| **Balance as at 1 January 2012 (Audited)** | 72,000,000 | 11,973,061 | (32,896,967) | 61,649,505 | 4,094,149 | (4,497,382) | (6,721,619) | 105,600,747 | 16,452,078 | 122,052,825 |
| (Loss)/profit for the period | - | - | - | - | - | - | (9,001,123) | (9,001,123) | 769,534 | (8,231,589) |
| Other comprehensive income | - | - | - | - | 3,242,057 | 656,301 | - | 3,898,358 | - | 3,898,358 |
| Total comprehensive income/(loss) for the period | - | - | - | - | 3,242,057 | 656,301 | (9,001,123) | (5,102,765) | 769,534 | (4,333,231) |
| Loss arising on part disposal of a subsidiary | - | - | - | - | - | - | (726,909) | (726,909) | - | (726,909) |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | 343,122 | 343,122 |
| **Balance as at 30 June 2012 (Unaudited)** | 72,000,000 | 11,973,061 | (32,896,967) | 61,649,505 | 7,336,206 | (3,841,081) | (16,449,651) | 99,771,073 | 17,564,734 | 117,335,807 |

# Interim condensed consolidated statement of cash flows

| | Six months ended 30 June 2013 (Unaudited) KD | (Restated) Six months ended 30 June 2012 (Unaudited) KD |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit/(loss) for the period attributable to the owners of the parent company | **2,067,846** | (9,001,123) |
| Adjustments: | | |
| Gain on sale of available for sale investments | **(667,622)** | (71,589) |
| Changes in fair value of investment properties | **(19,932,188)** | - |
| Loss/(gain) on sale of properties under development | **2,306,855** | (132,973) |
| Gain on sale of asset classified as held for sale | **(12,938,184)** | (749,694) |
| Impairment loss in value of available for sale investments | **516,170** | 998,274 |
| Impairment loss in value of the shareholders' loan granted to an associate | **3,216,178** | - |
| Impairment loss in value of receivables and other assets | **764,883** | - |
| Dividends income | **(129,987)** | (678,613) |
| Interest and similar income | **(360,253)** | (209,816) |
| Interest and similar expenses | **5,673,702** | 3,416,963 |
| Provisions | **273,530** | 86,878 |
| Depreciation | **1,322,679** | 474,645 |
| Loss on sale of shares in associate and joint ventures | **78,306** | 2,386,742 |
| Share of loss from associates and joint ventures | **1,563,298** | 1,069,702 |
| Foreign currency exchange loss | **574,698** | 133,605 |
| | **(15,670,089)** | (2,276,999) |
| **Changes in operating assets and liabilities:** | | |
| Investments at fair value through profit or loss | **3,227,447** | 1,692,906 |
| Receivables and other debit balances | **(159,056)** | 1,547,377 |
| Loans receivable | **515,603** | 12,496 |
| Due from related parties | **(7,990,749)** | (516,248) |
| Trading properties | **(450,249)** | (248,295) |
| Payables and other credit balances | **13,565,367** | (8,464,450) |
| Due to related parties | **6,153,795** | 23,393,559 |
| Advances received from customers | **(11,359,525)** | (360,815) |
| Cash (used in)/from operating activities | **(12,167,456)** | 14,779,531 |
| Dividends income received | **129,987** | 678,613 |
| Interest and similar income received | **360,253** | 209,816 |
| Interest and similar expenses paid | **(5,673,702)** | (3,416,963) |
| **Net cash (used in)/from operating activities** | **(17,350,918)** | 12,250,997 |
| **INVESTING ACTIVITIES** | | |
| Proceeds from sale of shares in associate and joint ventures | **59,134** | 2,403,283 |
| Proceeds from sale of shares in a consolidated subsidiary company | **10,382** | 57,379 |
| Proceeds from sale of asset classified as held for sale | **20,969,625** | 2,602,814 |
| Net change in investment in associates and joint ventures | **(1,006,087)** | (4,664,910) |
| Net movement in properties under development | **15,338,495** | (2,092,019) |
| Net additions to capital work in progress | **(12,048,177)** | (7,282,637) |
| Net change in property, plant and equipment | **3,844,177** | (1,249,068) |
| Proceeds from sale of available for sale investments | **-** | 1,692,538 |
| Net change in investment properties | **(1,065,888)** | (14,800) |
| Purchase of available for sale investments | **(574,846)** | (151,189) |
| **Net cash from/(used in) investing activities** | **25,526,815** | (8,698,609) |
| **FINANCING ACTIVITIES** | | |
| Loans obtained from banks | **4,806,279** | 6,973,502 |
| Repayment of loans | **(5,046,586)** | (14,373,498) |
| Change in non-controlling interests | **4,646,365** | 328,368 |
| Net movement on foreign currency translation reserve | **(460,278)** | 1,655,081 |
| **Net cash from/(used in) financing activities** | **3,945,780** | (5,416,547) |
| **Net increase/(decrease) in cash and cash equivalents** | **12,121,677** | (1,864,159) |
| Cash and cash equivalents at beginning of the period | **14,014,983** | 6,972,479 |
| **Cash and cash equivalents at end of the period** | **26,136,660** | 5,108,320 |

*The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.*

# Notes to the interim condensed consolidated financial information

## 1 Incorporation and activities of the parent company

International Financial Advisors – KSC (Closed) ("the parent company") is a Kuwaiti closed shareholding company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company.

In accordance with Law No. 97 of 2013 amending certain articles of the Amiri Decree Law No. 25 of 2012 regarding the issuance of the Companies Law, all existing companies are required to comply with the new companies Law in accordance with the rules and regulations stipulated in the Executive By-Laws due to be issued by the Minister of Commerce and Industry within six months from the date of issuance of the Law No. 97 in the official gazette on 27 March 2013. Further, all other supervisory bodies are required to issue their respective regulations within this time frame.

The address of the parent company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

The parent company is principally engaged in providing financial advisory services, trading in local and international securities, borrowing, lending, issuing guarantees, managing investment funds and portfolios management and trading in future contracts.

This interim condensed consolidated financial information for the six-month period ended 30 June 2013 was authorised for issue by the parent company's board of directors on ……………..

## 2 Basis of presentation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the Central Bank of Kuwait regulations regarding general provisions against loans receivable.

The provisions for loans receivable complies in all material respects with the requirements of the Central bank of Kuwait. In this respect, Central Bank of Kuwait requires a general provision of 1% on all loans receivable not subject to a specific provision.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements of the group for the year ended 31 December 2012 except for the adoption of new and revised standards and interpretations as discussed below.

Operating results for the six-month period are not necessarily indicative of the results that may be expected for the year ending 31 December 2013. For further information, refer to the audited consolidated financial statements and its related notes for the year ended 31 December 2012.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars (KD) which is the functional currency of the parent company.

**Basis of consolidation**

The interim condensed financial information of the parent company and its subsidiaries (Note 5) has been consolidated on a line by line basis after eliminating intra-group balances, intra-group transactions and resulting unrealized profits in full. Uniform accounting policies have been used by the group's companies in order to record like transactions and other events which occurred under similar circumstances in these companies.

# Notes to the interim condensed consolidated financial information (continued)

## 3 Changes in accounting policies

### 3.1 Adoption of new IASB Standards and amendments during the period

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim consolidated financial statements of the Group.

The Group has adopted the following new and amended IFRS during the period:

| *Standard or Interpretation* | *Effective for annual periods beginning* |
|---|---|
| IAS 1 Presentation of Financial Statements – amendment | 1 July 2012 |
| IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements | 1 January 2013 |
| IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures | 1 January 2013 |
| IFRS 7 Financial Instruments: Disclosures – amendments | 1 January 2013 |
| IFRS 12 Disclosure of Interest in Other Entities | 1 January 2013 |
| IFRS 13 Fair Value Measurement | 1 January 2013 |
| Annual Improvements 2009-2011 | 1 January 2013 |

#### *3.1.1 IAS 1 Presentation of Financial Statements- amendment*

The Group has adopted the amendment to IAS 1 which requires entities to group other comprehensive income items presented in the interim condensed consolidated statement of comprehensive income based on those:

a) Potentially reclassifiable to interim condensed consolidated statement of income in a subsequent period, and
b) That will not be reclassified to interim condensed consolidated statement of income subsequently.

The amendments to IAS 1 changed the current presentation of the consolidated statement of comprehensive income of the Group; however the amendment affected presentation only and had no impact on the Group's financial position or performance.

#### *3.1.2 IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. It revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same. IFRS 10 did not change the classification (as subsidiaries or otherwise) of any of the Group's existing investees.

# Notes to the interim condensed consolidated financial information (continued)

## 3 Changes in accounting policies (continued)

### 3.1 Adoption of new IASB Standards and amendments during the period (continued)

#### *3.1.3 IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures*

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. As a consequence of the new IFRS 11, IAS 28 brings investments in joint ventures into its scope, however, the equity accounting methodology under IAS 28 remains unchanged.

The application of this new standard impacted the financial position of the Group by replacing proportionate consolidation of the joint ventures in Tongaat Hulett/IFA Hotels and Resort Developments, Zimbali Estate (Pty) Ltd and Palm Golden Mile (see Note 9) with the equity method of accounting. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. The effect of IFRS 11 is described in more detail in Note 9 which includes quantification of the effect on the interim consolidated financial statements.

#### *3.1.4 IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The required disclosures are required to be provided retrospectively (note 18).

#### *3.1.5 IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 is designed to complement the other new standards. It sets out consistent disclosure requirements for subsidiaries, joint ventures and associates, as well as unconsolidated structured entities. The disclosure requirements are extensive and will result in significant amounts of new disclosures for some companies. Structured entities were previously referred to in SIC 12 as special purpose entities. The disclosures required by IFRS 12 aim to provide transparency about the risks a company is exposed to through its interests in structured entities.

None of these disclosure requirements are applicable for interim condensed consolidated financial information unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made any disclosures.

#### *3.1.6 IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group has applied this requirement for the first time and has provided these disclosures in Note 18. The provisions in IAS 34 and transition provision of IFRS 13 do not require comparative information for periods before initial application of IFRS 13. Consequentially, the Group does not provide the comparative information.

# Notes to the interim condensed consolidated financial information (continued)

## 3 Changes in accounting policies (continued)

### 3.1 Adoption of new IASB Standards and amendments during the period (continued)

#### *3.1.7 Annual Improvements 2009-2011*

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarised below:

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Segment information for total assets and liabilities:

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

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

### 3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Management is yet to determine impact of these pronouncements in the interim condensed consolidated financial information. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

| *Standard or Interpretation* | *Effective for annual periods beginning* |
|---|---|
| IAS 32 Financial Instruments: Presentation – amendments | 1 January 2014 |
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2015 |

# Notes to the interim condensed consolidated financial information (continued)

## 3 Changes in accounting policies (continued)

### 3.2 IASB Standards issued but not yet effective (continued)

#### *3.2.1 IAS 32 Financial Instruments: Presentation - Amendments*

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Group's interim condensed consolidated financial information from these amendments.

#### *3.2.2 IFRS 9 Financial Instruments*

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety, with the replacement standard to be effective for annual periods beginning 1 January 2015. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

## 4 Assumptions and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2012.

## 5 Subsidiary companies

The interim condensed consolidated financial information has incorporated the interim condensed financial information of the following subsidiaries as at 30 June 2013 or 31 March 2013 as follows:

| Name of subsidiary | Period ended | Activity | Effective ownership percentage % |
|---|---|---|---|
| IFA Hotels and Resorts – KSC (Closed) and Subsidiaries | 31 March 2013 | Hotel operations | 57.56 |
| Seven Seas Resorts Company – KSC (Closed) | 31 March 2013 | Hotels and resorts | 48.30 |
| Gulf Real Estate Company – WLL | 30 June 2013 | Real estate investments | 46.32 |
| IFA Aviation Company – KSC (Closed) and Subsidiary | 30 June 2013 | Aviation services | 74.80 |
| Dana Real Estate Company – SAL | 30 June 2013 | Real estate investments | 90.00 |
| Radeem Real Estate Company – SAL | 30 June 2013 | Real estate investments | 99.70 |

# Notes to the interim condensed consolidated financial information (continued)

## 6 Investments at fair value through profit or loss

| | 30 June 2013 (Unaudited) KD | 31 Dec. 2012 (Audited) KD | 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| **Held for trading:** | | | |
| **Local** | | | |
| Quoted securities and managed funds | **295,371** | 1,864,880 | 12,471,973 |
| Unquoted securities | **250,619** | 250,619 | 1,363,555 |
| | **545,990** | 2,115,499 | 13,835,528 |
| **Foreign** | | | |
| Quoted securities | **2,225,932** | 3,883,870 | 3,900,306 |
| | **2,771,922** | 5,999,369 | 17,735,834 |

The amounts included in the interim condensed consolidated statement of income are:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | 30 June 2013 (Unaudited) KD | 30 June 2012 (Unaudited) KD | 30 June 2013 (Unaudited) KD | 30 June 2012 (Unaudited) KD |
| Realised loss | **(940,737)** | (408,353) | **(1,311,487)** | (269,327) |
| Unrealised gain/(loss) | **185,861** | (427,977) | **28,314** | 219,454 |
| | **(754,876)** | (836,330) | **(1,283,173)** | (49,873) |

## 7 Loss/(gain) on sale of properties under development

Loss/(gain) on sale of properties under development represents the difference between the revenue and cost which have been originally incurred by the Group to purchase the properties and then fully develop and sell it to customers, and it is as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | 30 June 2013 (Unaudited) KD | 30 June 2012 (Unaudited) KD | 30 June 2013 (Unaudited) KD | (Restated) 30 June 2012 (Unaudited) KD |
| Sales revenue | **16,157,080** | (50,548) | **19,008,958** | 242,552 |
| Cost of sales | **(18,674,313)** | (8,158) | **(21,315,813)** | (109,579) |
| | **(2,517,233)** | (58,706) | **(2,306,855)** | 132,973 |

# Notes to the interim condensed consolidated financial information (continued)

## 8 Basic and diluted earnings/(loss) per share attributable to the owners of the parent company

Earnings/(loss) per share is computed by dividing the profit/(loss) for the period attributable to the owners of the parent company, by the weighted average number of outstanding shares during the period after deducting treasury shares as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **30 June 2013 (Unaudited)** | 30 June 2012 (Unaudited) | **30 June 2013 (Unaudited)** | 30 June 2012 (Unaudited) |
| Profit/(loss) for the period attributable to the owners of the parent company (KD) | **373,626** | (4,235,655) | **2,067,846** | (9,001,123) |
| Weighted average number of outstanding shares (excluding treasury shares) (share) | **670,486,872** | 670,350,752 | **670,486,872** | 670,350,752 |
| **Basic and diluted earnings/(loss) per share attributable to the owners of the parent company (Fils)** | **0.56** | (6.32) | **3.08** | (13.43) |

## 9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, short term deposits and balances due to banks. Short term deposits mature within three months from the date of placement and carry interest at the prevailing commercial rates.

## 10 Trading properties

| | **30 June 2013 (Unaudited) KD** | 31 Dec. 2012 (Audited) KD | 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| Residential apartments in Dubai – UAE | **1,250,953** | 329,633 | 312,988 |
| Properties in South Africa | **4,665,557** | 5,136,628 | 5,619,065 |
| | **5,916,510** | 5,466,261 | 5,932,053 |

Trading properties in South Africa represent plots of lands purchased in South Africa for trading purposes and comprise of lands at cost and development expenditure relating to unsold properties.

## 11 Asset classified as held for sale

The balance at 31 December 2012, represents 25% (31 March 2012: 35.01%) holding in Raimon Land Public Company Limited. At the end of 2011 this investment was classified as "held for sale" because the subsidiary Company's management had decided to sell this investment. During the period, the Group has sold its holding (25%) in this investment for a consideration equivalent to KD20,969,625 resulting in a gain of KD12,938,184 included in the statement of income for the period.

# Notes to the interim condensed consolidated financial information (continued)

## 12 Available for sale investments

| | 30 June 2013 (Unaudited) KD | 31 Dec. 2012 (Audited) KD | 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| Quoted securities | **3,569,754** | 3,922,223 | 3,386,221 |
| Unquoted securities | **34,020,509** | 41,327,965 | 39,314,108 |
| | **37,590,263** | 45,250,188 | 42,700,329 |

Unquoted securities include investments stated at cost amounting to KD14,146,226 as there are no other reliable sources to determine their fair values (31 December 2012: KD16,547,778 and 30 June 2012: KD22,204,537). Management is not aware of any circumstances that may have lead to the decline in the value of such investments.

## 13 Investment properties

| | 30 June 2013 (Unaudited) KD | 31 Dec. 2012 (Audited) KD | 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| Lebanon | **1,877,234** | 1,858,471 | 2,606,369 |
| Jordan | **401,800** | 401,800 | 1,013,182 |
| United Arab Emirates | **48,555,419** | 18,729,771 | 19,072,526 |
| Egypt | **354,966** | 354,966 | 354,966 |
| Portugal | **8,954,554** | 8,942,632 | 9,167,816 |
| South Africa | **160,456** | 175,697 | 189,319 |
| | **60,304,429** | 30,463,337 | 32,404,178 |

As the Group consolidated the financial statements of one of its main subsidiaries IFA Hotel and Resorts – KSCC listed in Kuwait Stock Exchange based on the financial statements of this subsidiary issued three months before the date of the financial position of the group which is 31 March 2013 and it has been disclosed in Kuwait Stock Exchange, and the reason is the main subsidiary company has lots of subsidiaries and associates companies outside state of Kuwait, which requires suitable period of time for receiving their financial statements, the Group recognised during the period the profits resulting from re-estimation of the fair value as at 31 December 2012 of properties in Palm Jumeriah land and the land of Kingdom hotel Sheba, Dubai, UAE and Pinecliff Resort, Portugal which have been estimated by independent external valuers licensed to practice real estate evaluation profession according to the requirement of CMA in Kuwait, where the revaluation gain amounting to KD19,932,188 has been recognised in the interim condensed income statement during the current period. Also during the period group decided to transfer the Kingdom of Sheba Hotel, land and cost of initial work in UAE subsidiary from capital work in progress to investment properties for capital appreciation with an amount of KD8,843,016.

## 14 Investments in associates and joint ventures

| | 30 June 2013 (Unaudited) KD | (Restated) 31 Dec. 2012 (Audited) KD | (Restated) 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| Investments in associates (Note 14.1) | **34,628,903** | 37,192,511 | 47,192,914 |
| Investment in joint ventures (Note 14.2) | **19,117,624** | 20,464,845 | 21,871,905 |
| | **53,746,527** | 57,657,356 | 69,064,819 |

# Notes to the interim condensed consolidated financial information (continued)

## 14 Investments in associates and joint ventures (continued)

**14.1** The details of the associated companies are as follows:

| Name of the associate | Principal activities | Date of acquisition | Country of incorporation | % | Net shareholders' equity as of 30 June 2013 (Unaudited) KD | 31 Dec. 2012 (Audited) KD | 30 June 2012 (Unaudited) KD |
|---|---|---|---|---|---|---|---|
| Boschendal (Pty) Ltd | Real estate | Apr-06 | South Africa | | - | - | 2,852,073 |
| Purple Plum Properties Limited | Property development | Apr-06 | South Africa | **37.33** | **1** | 1 | - |
| Zamzam Religious Tourism Company | Hajj & Umrah services | Sep-07 | Kuwait | **20** | **50,000** | 50,000 | 50,000 |
| Legend and IFA Developments (Pty) Ltd | Property development | Jun-07 | South Africa | **50** | **7,529,218** | 11,092,418 | 11,867,903 |
| International Finance Company – KSC (Closed) – Quoted | Financing | July-08 | Kuwait | **19.36** | **27,049,684** | 26,050,092 | 32,422,938 |
| | | | | | **34,628,903** | 37,192,511 | 47,192,914 |

**14.2 Investments in joint ventures (transition to IFRS 11)**
The Group's interests in joint ventures are as follows:

| Name and details of the joint ventures | Interest % | 30 June 2013 (Unaudited) KD | (Restated) 31 Dec. 2012 (Audited) KD | (Restated) 30 June 2012 (Unaudited) KD |
|---|---|---|---|---|
| Interest in Zilwa Limited (the principal activity of the joint venture is property development) – South Africa | 50% | **1,663,056** | 1,639,469 | 2,374,509 |
| Interest in Zimbali Estates (PTY) Ltd. (the principal activity of the joint venture is the sale of developed property) – South Africa | 50% | **84,013** | 98,091 | 79,553 |
| Interest in Palm Golden Mile Joint Venture (the principal activity of the Joint Venture is design, development, construction, marketing, sale of apartment and rental of shopping centers and residential apartments) - UAE | 50% | **17,370,555** | 18,727,285 | 19,417,843 |
| | | **19,117,624** | 20,464,845 | 21,871,905 |

Under IAS 31 Investment in Joint Ventures (prior to the transition to IFRS 11), the Group's interest in the above joint ventures were classified as jointly controlled entities and the Group's share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest to be a joint venture and it is required to be accounted for using the equity method. The effect of applying IFRS 11 is as follows:

| | KD |
|---|---|
| **Impact on the interim condensed consolidated statement of income for the six months period ended 30 June 2012** | |
| Decrease in net income from properties under development | (58,706) |
| Increase in share of results of associates and joint ventures | (3,019) |
| Decrease in other income | (35,822) |
| Decrease in staff costs | 2,219 |
| Decrease in other operating expenses | 79,211 |
| Decrease in depreciation | 355 |
| Decrease in finance costs | 127 |
| Increase in loss before taxation, provision for KFAS, NLST and Zakat | 15,635 |
| Increase in tax income relating to overseas subsidiaries | 15,635 |
| Net impact on profit for the period | - |

# Notes to the interim condensed consolidated financial information (continued)

## 14 Investments in associates and joint ventures (continued)

### 14.2 Investments in joint ventures (transition to IFRS 11) (continued)

| | 31 Dec 2012 KD | 30 June 2012 KD |
|---|---|---|
| **Impact on the interim condensed consolidated statement of financial position** | | |
| Increase in investment is associates and joint ventures | 20,464,845 | 21,871,905 |
| Decrease in property, plant and equipment | (44,620) | (45,693) |
| Decrease in capital work in progress | (22,058,082) | (21,738,216) |
| Decrease in properties under development | (972,898) | (958,807) |
| Decrease in accounts receivables and other assets | (7,004,334) | (7,751,589) |
| Decrease in due from related parties | (1,802,802) | (2,553,893) |
| Decrease in cash & cash equivalents | (881,098) | (1,005,922) |
| Increase in due to related parties | (2,306,204) | (2,324,528) |
| Decrease in accounts payable and other liabilities | 5,850,990 | 5,879,329 |
| Decrease in advance received from customers | 3,832,000 | 3,776,500 |
| Decrease in borrowing | 4,922,203 | 4,850,914 |
| **Net impact on equity** | - | - |

The Group's share during the period from the results of the activities of the above mentioned associated companies amounted to loss of KD48,953 (30 June 2012: loss of KD1,069,702). During the period, the Group also sold a percentage of 0.27% from the shares of International Finance Company – KSC (Closed) from which a sale loss amounting to KD75,139 (30 June 2012: loss of KD1,197,380) has resulted.

The Group has made impairment provision amounting to KD3,216,178 (30 June 2012 : Nil) against the shareholders' loan granted to Legend and IFA Development (Pty) Ltd Company carried in the statement of income for the period.

## 15 Properties under development

| | **30 June 2013 (Unaudited) KD** | (Restated) 31 Dec. 2012 (Audited) KD | (Restated) 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| Properties in Dubai – UAE | **111,889,949** | 125,864,299 | 119,344,185 |
| Properties in South Africa | **6,271,124** | 7,772,050 | 9,416,384 |
| Properties in Lebanon | **13,493,518** | 15,663,592 | 19,711,552 |
| | **131,654,591** | 149,299,941 | 148,472,121 |

## 16 Capital work in progress

| | **30 June 2013 (Unaudited) KD** | (Restated) 31 Dec. 2012 (Audited) KD | (Restated) 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| Hotels, residential flats and commercial properties under construction in Dubai – UAE and South Africa | **12,995,584** | 100,098,408 | 89,061,052 |

# Notes to the interim condensed consolidated financial information (continued)

## 16 Capital work in progress (continued)

During the period ended 30 June 2013, the UAE subsidiary transferred the total cost of construction of a completed hotel in UAE which amounted to AED 1,172,360,333 (equivalents to KD90,307,985) from capital work in progress to Property, plant and equipment. The hotel has commenced commercial operations in 2013.

## 17 Property, plant and equipment

During the period ended 30 June 2013, additions to the property, plant and equipment included transfer from capital work in progress amounting to AED1,172,360,333 (equivalents to KD90,307,985) related to the UAE subsidiary (refer note 16).

## 18 Payables and other credit balances

| | **30 June 2013 (Unaudited) KD** | (Restated) 31 Dec. 2012 (Audited) KD | (Restated) 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| Accrued interest payable | **6,360,125** | 5,240,835 | 4,528,992 |
| Accounts payable | **21,813,987** | 13,725,862 | 13,929,634 |
| Accrued dividend payable | **521,343** | 521,343 | 522,580 |
| Liability towards purchase of lands | **3,716,116** | 7,286,773 | 6,906,393 |
| Kuwait Foundation for the Advancement of Sciences (KFAS) | **2,478,457** | 2,391,320 | 2,391,320 |
| National Labour Support Tax (NLST) | **7,700,494** | 7,458,445 | 7,458,445 |
| Zakat provision | **670,148** | 573,329 | 573,329 |
| Provision for end of service indemnity and leave | **2,135,590** | 1,572,853 | 1,752,153 |
| Provision for contingent liabilities | **73,966** | 73,966 | 73,966 |
| Redeemable preference shares | **2,854,637** | 2,993,455 | 2,028,154 |
| Deferred income | **1,797,155** | 1,807,143 | 11,617,807 |
| Retentions payable | **11,039,519** | 11,879,463 | 5,430,374 |
| Accrued construction costs | **8,310,014** | 4,677,906 | 2,919,726 |
| Refundable deposit on cancellation and resale of units | **2,418,199** | 2,792,981 | 2,874,488 |
| Land transfer fee payable | **1,339,084** | 1,689,720 | 1,639,248 |
| Other payables | **7,184,009** | 2,162,082 | 3,898,275 |
| | **80,412,843** | 66,847,476 | 68,544,884 |

## 19 Borrowings

| | **30 June 2013 (Unaudited) KD** | (Restated) 31 Dec. 2012 (Audited) KD | (Restated) 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| Loans in KD | **45,000,000** | 51,000,000 | 51,000,000 |
| Loans in USD | **37,396,745** | 41,374,277 | 42,317,084 |
| Loans in AED | **67,877,724** | 63,121,597 | 57,986,731 |
| Loans in EURO | **13,615,461** | 14,024,962 | 14,064,273 |
| Loans in Rand | **16,877,583** | 17,220,226 | 20,406,721 |
| Loans in GBP | **364,326** | 412,591 | 431,940 |
| | **181,131,839** | 187,153,653 | 186,206,749 |

# Notes to the interim condensed consolidated financial information (continued)

## 19 Borrowings (continued)

The loans above are due for repayment as follows:

| | **30 June 2013 (Unaudited) KD** | (Restated) 31 Dec. 2012 (Audited) KD | (Restated) 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| Within one year | **66,937,065** | 24,743,612 | 17,464,901 |
| More than one year | **114,194,774** | 162,410,041 | 168,741,848 |
| | **181,131,839** | 187,153,653 | 186,206,749 |

## 20 Treasury shares

| | **30 June 2013 (Unaudited)** | 31 Dec. 2012 (Audited) | 30 June 2012 (Unaudited) |
|---|---|---|---|
| Number of shares (thousand share) | **49,513** | 49,513 | 49,649 |
| Percentage to the issued shares | **6.88%** | 6.88% | 6.90% |
| Market value (KD '000) | **3,416** | 2,153 | 1,738 |

## 21 Capital commitments

### Capital expenditure commitments

The Group has commitments to pay all the amounts required to settle its remaining share in the financing of the construction of real estate projects in Dubai (UAE) and South Africa. The Group's share in the amounts required to finance these projects is as follows:

| | **30 June 2013 (Unaudited) KD** | 31 Dec. 2012 (Audited) KD | 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| Estimated and contracted commitments for property, plant & equipment and capital work in progress | **-** | - | 1,652,700 |
| Estimated and contracted capital expenditure for construction of properties under development and trading properties | **37,324,000** | 37,177,000 | 41,700,000 |
| | **37,324,000** | 37,177,000 | 43,352,700 |

The Group expects to finance the future expenditure commitments from the following sources:

a) sale of investment properties.
b) advances from customers.
c) share capital increase.
d) advances provided by the shareholders, related entities and joint ventures.
e) borrowings, if required.

The financing rates expected from the above sources are dependent on the nature of the source of financing and management estimates of the best financing sources available at the time they become due.

# Notes to the interim condensed consolidated financial information (continued)

## 22 Segmental analysis

The Group has adopted IFRS 8 Operating Segments. According to this standard, reported segment profits are based on management's internal financial reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and then it is reconciled to the Group's profit or loss. Conversely, the predecessor standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical). The adoption of IFRS 8 has resulted in a change in the identification of the Group's reportable segments. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

The Group primarily operates in one area of business activity, investment. Accordingly in prior years, segment information reported externally was analysed on the geographical basis. However, information reported to the Group's decision makers for the purposes of resource allocation and assessment of performance is more specifically focussed on the types of investment activities. The Group's reportable segments under IFRS 8 are therefore as follows:

**Assets management**
- Investments in Gulf Cooperation Council Countries, Middle East and North Africa
- International managed investment funds
- Discretionary and non-discretionary management for financial portfolios
- Management services

**Treasury and investments**
- Private equity
- Investment in international quoted securities
- Lending to corporates and individuals
- Managing the company's liquidity requirements

**Real estate**
- Sale and purchase of real estate
- Real estate brokerage and advisory

The profits and losses generated by the Group from business segments are summarised as follows:

| | Assets management | | Treasury and investments | | Real Estate | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **30 June 2013 (Unaudited) KD '000** | (Restated) 30 June 2012 (Unaudited) KD '000 | **30 June 2013 (Unaudited) KD '000** | (Restated) 30 June 2012 (Unaudited) KD '000 | **30 June 2013 (Unaudited) KD '000** | (Restated) 30 June 2012 (Unaudited) KD '000 | **30 June 2013 (Unaudited) KD '000** | (Restated) 30 June 2012 (Unaudited) KD '000 | **30 June 2013 (Unaudited) KD '000** | (Restated) 30 June 2012 (Unaudited) KD '000 |
| **Interim condensed consolidated statement of income** | | | | | | | | | | |
| Segment revenue/(expenses) | **574** | 373 | **11,172** | (1,797) | **21,916** | 2,128 | **(3,622)** | 563 | **30,040** | 1,267 |
| Segment profit/(loss) | **574** | 373 | **11,172** | (1,797) | **21,916** | 2,128 | **(3,622)** | 563 | **30,040** | 1.267 |
| Unallocated expenses | | | | | | | | | **(32,446)** | (11,038) |
| Non-controlling interests | | | | | | | | | **4,474** | 770 |
| **Profit/(loss) for the period** | | | | | | | | | **2,068** | (9,001) |

**Geographical segments**

The Group operates from one location in Kuwait, however the Group's assets are scattered in different geographical areas of the world.

# Notes to the interim condensed consolidated financial information (continued)

## 23 Annual general assembly

The general assembly of shareholders meeting held on 22 May 2013 approved the consolidated financial statements for the year ended 31 December 2012, and the directors' proposal not to distribute any dividends for the year then ended.

On 21 June 2012, the shareholders' general assembly approved the consolidated financial statements for the year ended 31 December 2011 and not to distribute any dividends for the year then ended.

## 24 Related parties transactions

These represent transactions with related parties such as shareholders, members of the board of directors and senior management of the parent company and its companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the parent company's management.

Transactions with related parties included in the interim condensed consolidated financial information are as follows:

| | 30 June 2013 (Unaudited) KD | (Restated) 31 Dec. 2012 (Audited) KD | (Restated) 30 June 2012 (Unaudited) KD |
|---|---|---|---|
| **Balances included in the interim condensed consolidated statement of financial position:** | | | |
| Due from related parties | **11,135,026** | 2,938,391 | 3,026,061 |
| Due to related parties | **(24,235,237)** | (18,081,442) | (19,928,598) |
| Term loan from a related party | **(9,943,636)** | (9,943,636) | (11,663,637) |
| **Transactions included in the interim condensed consolidated statement of income:** | | | |
| Interest expenses | **-** | 56,359 | 55,747 |
| Interest income | **8,189** | 28,008 | 20,817 |
| Gain on sale of available for sale investments | **667,621** | 267,048 | - |
| **Key management compensation of the group** | | | |
| Short-term employee benefits | **369,682** | 602,407 | 221,045 |

Related parties balances outstanding at period end and which are resulting from funds transfer are included under amounts due from related parties and amounts due to related parties.

# Notes to the interim condensed consolidated financial information (continued)

## 25 Capital risk management objectives

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2012.

### 25.1 Categories of financial instruments

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorised as follows:

| | 30 June 2013 (Unaudited) | |
|---|---|---|
| | Fair value KD'000 | Carrying value KD'000 |
| **Financial assets** | | |
| Cash and cash equivalents | - | 26,137 |
| Investments at fair value through profit or loss | 2,521 | 251 |
| Receivables and other debt balances | - | 16,339 |
| Loans receivable | - | 2,606 |
| Due from related parties | - | 11,135 |
| Available for sale investments | 23,444 | 14,146 |
| | 25,965 | 70,614 |
| **Financial liabilities** | | |
| Payables and other credit balances | - | 80,412 |
| Due to related parties | - | 24,235 |
| Term loan from a related party | - | 9,944 |
| Borrowings | - | 181,132 |
| Advances received from customers | - | 124,839 |
| | - | 420,562 |

Management believes that the carrying values of the financial instruments approximate their fair values.

### 25.2 Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into six levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

# Notes to the interim condensed consolidated financial information (continued)

## 25 Capital risk management objectives (continued)

### 25.2 Financial instruments measured at fair value (continued)

**30 June 2013 (unaudited)**

| | Note | Level 1 KD'000 | Level 2 KD'000 | Level 3 KD'000 | Total KD'000 |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| ***Investments at fair value through profit or loss*** | | | | | |
| *Investments held for trading:* | | | | | |
| Local: | | | | | |
| Quoted securities and managed funds | a + b | 295 | - | - | 295 |
| Foreign: | | | | | |
| Quoted securities | a | 2,226 | - | - | 2,226 |
| ***Financial assets available for sale*** | | | | | |
| Quoted securities | a | 3,570 | - | - | 3,570 |
| Managed funds | b | - | 1,286 | - | 1,286 |
| Unquoted securities | c | - | - | 18,588 | 18,588 |
| | | 6,091 | 1,286 | 18,588 | 25,965 |
| **Liabilities** | d | - | - | - | - |
| **Net fair value** | | 6,091 | 1,286 | 18,588 | 25,965 |

There have been no significant transfers between level 1 and 2 during the reporting period

**Measurement at fair value**
The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

**a) Quoted securities**
All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

**b) Managed funds**
The underlying investments of local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

**c) Unquoted securities**
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

**d) Financial liabilities**
The Group does not have any financial liabilities at fair value.

## 26 Comparative figures

Comparative figures have been restated due to adoption of IFRS11 (note 9). Further certain comparative amounts have been reclassified to conform with the presentation of the current period. Such reclassification does not affect the consolidated financial information of the net assets, equity, and operation results for the previous period. Also it did not affect the net decrease in cash and cash equivalents for that period.