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Al Madina for Finance and Investment Company – K.P.S.C.
And its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditors' Report
For the year ended 31 December 2012



Al Madina for Finance and Investment Company - K.P.S.C.
And its subsidiaries
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For the year ended 31 December 2012

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Al Madina for Finance and Investment Company – K.P.S.C.

State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Madina for Finance and Investment Company – K.P.S.C. "the Company" and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated 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 notes.

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 in the state of Kuwait, and for such internal control as management determines is necessary to enable the preparation of 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 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 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.

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 consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Emphasis matter

We draw attention to note (14) regarding the lawsuits between the Group and the creditors around the outstanding debt instruments that are due and unpaid. It is difficult to predict the outcome of these lawsuits. Our opinion is not qualified in respect of this matter.

Al Madina for Finance and Investment Company – K.P.S.C.
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained the information 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 Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of provision of the Companies Law No. 25 of 2012, or 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 Group or on its consolidated financial position.

We further report that, during the course of our audit, 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 during the year ended 31 December 2012 except for the Wakala payable obtained from investment funds as mentioned in note (14.4) to the consolidated financial statements.

Talal Y. Al-Muzaini
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Kuwait, 17 June 2013

Al Madina for Finance and Investment - K.P.S.C.
And its subsidiaries

Consolidated Statement of Financial Position as at 31 December 2012
(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Assets			
Cash at banks and financial institutions	5	3,054,289	2,376,980
Investments in Islamic debt instruments	6	11,894,348	11,960,755
Investments at fair value through profit or loss	7	3,945,998	6,264,399
Receivables and other debit balances	8	13,330,204	13,630,334
Properties held for trading	9	-	973,480
Investment properties	10	68,375,237	64,182,445
Investments in associates	11	26,452,913	39,569,898
Available for sale investment	12	12,667,338	-
Property and equipment		4,070,443	5,330,231
Total assets		143,790,770	144,288,522
Liabilities and equity			
Liabilities			
Payables and other credit balances	13	13,067,257	12,877,389
Wakala payable	14	56,268,468	58,307,019
Employees' end of service indemnity		133,163	146,898
Total Liabilities		69,468,888	71,331,306
Equity			
Share capital	15	40,706,523	40,706,523
Share premium		27,403,682	33,803,510
Treasury shares	16	(2,960,493)	(5,028,120)
Statutory reserve	17	-	3,507,676
Voluntary reserve	17	-	3,409,102
Other reserves	18	85,826	(788,873)
Accumulated losses		(14,668,790)	(11,593,304)
Total equity attributable to shareholders of the Company		50,566,748	64,016,514
Non-controlling interests		23,755,134	8,940,702
Total equity		74,321,882	72,957,216
Total liabilities and equity		143,790,770	144,288,522

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

Faisal Abdul Rahman Al-Hatem
Chairman

Mohammad Darwesh Al-Shamali
Vice chairman

Consolidated Statement of Income for the year ended 31 December 2012

(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Revenues			
Profits from sale of a subsidiary	25.4	2,009,388	-
Real estate income	19	4,548,236	139,834
Consultancy services income		125,990	196,866
Gross profit from oil fields services and others		923,045	1,519,197
Other Income		288,112	838,701
		7,894,771	2,694,598
Expenses and other charges			
Losses from investments	20	483,420	2,019,541
Losses from investments in associates	21	2,155,282	722,576
Finance cost		380,990	2,640,788
Other expenses	22	2,207,112	1,850,884
Provide/ (reversal of) provisions and impairment	23	5,433,267	(3,750,839)
		10,660,071	3,482,950
Net loss for the year		**(2,765,300)**	**(788,352)**
Attributable to:			
Shareholders of the Company		(3,337,962)	(2,551,773)
Non-controlling interest		572,662	1,763,421
		(2,765,300)	**(788,352)**
Loss per share (fils)	24	(8.69)	(6.64)

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

(All amounts are in Kuwaiti Dinars)

	2012	2011
Net loss for the year	**(2,765,300)**	**(788,352)**
Other comprehensive income items		
Group's share in associate's other comprehensive income items	421,079	(445,046)
Transferred to statement of income from sale of shares in an associate	75,549	-
Changes in fair value of available for sale investments	375,218	-
Foreign currency translation reserve	(19,775)	(54,177)
Effect of disposal of shares in a subsidiary	20,198	-
Other comprehensive income/(loss)	872,269	(499,223)
Total comprehensive loss for the year	**(1,893,031)**	**(1,287,575)**
Attributable to:		
The shareholders of the Company	(2,463,263)	(3,050,996)
Non-controlling interests	570,232	1,763,421
	(1,893,031)	**(1,287,575)**

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

Al Madina for Finance and Investment - K.P.S.C.
And its subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2012
(All amounts are in Kuwaiti Dinars)

	Equity attributable to the shareholders of the Company									
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 18)	Accumulated losses	Total	Non controlling interests	Total equity
Balance at 1 January 2011	**40,706,523**	**33,803,510**	**(5,028,120)**	**3,507,676**	**3,409,102**	**(289,650)**	**(9,019,810)**	**67,089,231**	**7,301,712**	**74,390,943**
Net loss for the year	-	-	-	-	-	-	(2,551,773)	(2,551,773)	1,763,421	(788,352)
Other comprehensive income items										
Group's share in associate's other comprehensive income items	-	-	-	-	-	(445,046)	-	(445,046)	-	(445,046)
Foreign currency translation reserve	-	-	-	-	-	(54,177)	-	(54,177)	-	(54,177)
Total other comprehensive income items	-	-	-	-	-	(499,223)	-	(499,223)	-	(499,223)
Group's share from loss of sale treasury shares of an associate	-	-	-	-	-	-	(21,721)	(21,721)	-	(21,721)
Cash dividend in a subsidiary	-	-	-	-	-	-	-	-	(124,431)	(124,431)
Balance at 31 December 2011	**40,706,523**	**33,803,510**	**(5,028,120)**	**3,507,676**	**3,409,102**	**(788,873)**	**(11,593,304)**	**64,016,514**	**8,940,702**	**72,957,216**
Balance at 1 January 2012	**40,706,523**	**33,803,510**	**(5,028,120)**	**3,507,676**	**3,409,102**	**(788,873)**	**(11,593,304)**	**64,016,514**	**8,940,702**	**72,957,216**
Net loss for the year	-	-	-	-	-	-	(3,337,962)	(3,337,962)	572,662	(2,765,300)
Other comprehensive income items										
Group's share in associate's other comprehensive income items	-	-	-	-	-	421,079	-	421,079	-	421,079
Transferred to statement of income from sale of shares in associate	-	-	-	-	-	75,549	-	75,549	-	75,549
Changes in fair value of available for sale investments	-	-	-	-	-	365,417	-	365,417	9,801	375,218
Foreign currency translation reserve	-	-	-	-	-	(7,544)	-	(7,544)	(12,231)	(19,775)
Effect of disposal of shares in a subsidiary (note 25)	-	-	-	-	-	20,198	-	20,198	-	20,198
Total other comprehensive income items	-	-	-	-	-	874,699	-	874,699	(2,430)	872,269
Group's share from profits from sale treasury shares of an associate	-	-	-	-	-	-	26,078	26,078	-	26,078
Effect of changes in accumulated losses of an associate	-	-	-	-	-	-	(7,820,955)	(7,820,955)	-	(7,820,955)
Amortizing of accumulated losses (note 17)	-	(4,676,526)	-	(3,507,676)	(3,409,102)	-	11,593,304	-	-	-
Cash dividends in a subsidiary	-	-	-	-	-	-	-	-	(124,438)	(124,438)
Purchase of treasury shares	-	-	(400,863)	-	-	-	-	(400,863)	-	(400,863)
Sale of treasury shares	-	(1,723,302)	2,461,204	-	-	-	-	737,902	(325,344)	412,558
Effect of disposed shares in a subsidiary (note 25)	-	-	7,286	-	-	-	(3,535,951)	(3,528,665)	14,688,482	11,159,817
Changes in non-controlling interest	-	-	-	-	-	-	-	-	5,500	5,500
Balance at 31 December 2012	**40,706,523**	**27,403,682**	**(2,960,493)**	**-**	**-**	**85,826**	**(14,668,790)**	**50,566,748**	**23,755,134**	**74,321,882**

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

Consolidated Statement of Cash Flows for the year ended 31 December 2012

(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Cash flows from operating activities			
Net loss for the year		(2,765,300)	(788,352)
Adjustments:			
Losses from investments		483,420	2,019,541
Losses from investment in associates		2,155,282	722,576
(Gains)/ losses from real estate		(3,987,386)	242,498
Finance cost		380,990	2,640,788
Profits from sale of a subsidiary		(2,009,388)	-
Provide/(Reversal of) provisions for impairment		5,433,267	(3,750,837)
Reversal of provision for claims		-	(736,493)
Depreciation and amortization		350,727	381,856
End of service's indemnity		72,726	(47,525)
Operating profit before changing in the operating assets and liabilities		114,338	684,052
Investments at fair value through profit or loss		619,268	5,503,514
Receivables and other debit balances		(1,272,022)	990,660
Properties held for trading		829,869	(110,563)
Payables and other credit balances		(608,320)	(1,682,753)
Net cash (used in)/generated from operating activities		(316,867)	5,384,910
Cash flows from investing activities			
Net cash paid for acquisition of investment in associates		(262,234)	-
Net proceeds from selling investment in associate		3,084,866	2,469,031
Paid for purchase of available for sale investments		(12,311,722)	-
Paid for purchase of land and real estate under development		-	(632,625)
Proceeds from sale of land and real estate under development		-	3,215,907
Proceeds cash from sale of a subsidiaries		13,083,951	-
Paid for purchase of investment properties		(255,038)	(182,487)
Proceeds from sale of investment properties		193,243	-
Restricted cash under legal preserve		-	(71,668)
Paid for purchase of property and equipment		(76,606)	-
Net cash generated from investing activities		3,456,460	4,798,158
Cash flows from financing activities			
Wakala payable paid		(2,419,541)	(7,788,764)
Payment of finance costs		-	(567,558)
Proceeds from investments in Murabaha and Mudaraba		70,000	-
Cash dividend in a subsidiary to non-controlling interests		(124,438)	(124,431)
Purchase of treasury shares		(400,863)	-
Proceeds from sale of treasury shares		412,558	-
Net cash used in financing activities		(2,462,284)	(8,480,753)
Net increase in cash and cash equivalents		677,309	1,702,315
Cash and cash equivalents at the beginning of the year		2,305,312	602,997
Cash and cash equivalents at the end of the year	5	2,982,621	2,305,312

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

1. Incorporation of the Group

Al Madina for Finance and Investment Company (the Company) is a Closed Kuwaiti Shareholding Company incorporated in Kuwait on 1980 and is registered as an investment company with the Central Bank of Kuwait on 27 April 2005. The shares of the Company were listed on Kuwait Stock Exchange in 24 April 2006. The Company's headquarter office is domiciled at Ahmed Al Jabber , sharq, Kuwait.

The Group comprises of the Company and its consolidated subsidiaries "together referred to as the Group" (Note 25).

The principle activities of the Group are representing in all investing activities, finance and management of funds and rights. Trading and leasing of lands and real estate and providing oilfield services. The activities of the Group are carried out in accordance with Noble Islamic Sharia principles.

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

The consolidated financial statements were authorized for issue by the Board of Directors on 17 June 2013.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the state of Kuwait for financial institution regulated by the Central Bank of Kuwait and Capital Market Authority on the historical cost basis except for certain investment properties and financial instruments that are re-measured at fair values, as explained in the accounting policies below.

2.2 New and revised standards

New and revised IFRSs issued and effective

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets

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

IAS 12 Deferred Taxes - Recovery of Underlying Assets

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

New and revised IFRSs in issue but not yet effective

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

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

For annual periods beginning on or after 1 July 2012

IAS 1 Presentation of Financial Statement

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendment affects presentation only and has no impact on the Group's financial position or performance.

For annual periods beginning on or after 1 January 2013

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and of SIC-12 Consolidation – Special Purpose Entities.

Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The Group expects the application of this standard will have no significant impact on the group financial statements.

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

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

As a consequence of the new IFRS 11 and IFRS 12; IAS 28 has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

The group anticipates that the application of the new standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

For annual periods beginning on or after 1 January 2014

IAS 32 "Financial Instruments – Presentation" and IFRS 7 "Financial Instruments – Disclosures"

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements.

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

For annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments: Classification and Measurement

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

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

2.3 Significant Accounting Policies

2.3.1 Basis of Consolidation

Subsidiaries

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Any related accumulated items in equity will be accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting.

Business combinations

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

The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

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

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

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

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

When excluding the associate as a result of losing the ability to exercise substantial influence on the associate, the remaining investments are measured at fair value on that date, and the fair value is considered the value of the financial asset at the initial recognition in accordance with the requirements of IAS No. (39).

The difference between the book value for the remaining part of the investment is associate and its fair value is included in the profit or loss the exclusion of associate. In addition, all amounts that have been previously recognized within the other comprehensive income and related to the associate will be transferred to the Statement of Income. When the substantial influence on the associate is lose.

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

2.3.2 Financial instruments

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

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

Financial Assets

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

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 3.

Loans & receivables

Loans & receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including finance receivables, Murabaha and Wakala receivables, other receivables and cash and cash equivalent) are measured at amortised cost using the effective interest method. Income recognized using the effective interest method.

Available for sale (AFS)

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

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note 3.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the consolidated statement of income.

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

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

Impairment in value

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

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

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

A provision for impairment in value is made to address the threat of credit related to receivables when there is an objective for the Group that it cannot collect all amounts owed to them. The amount of the provision is the difference between the book value and recoverable amount of the asset which is determined based on the current value for the cash flows, taking into consideration the exclusion of the recoverable amounts of the guarantees and securities discounted based on the rate of return. The provision is recognized in the income statement.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% of all receivables net of certain restricted categories of collateral and not subject to specific provision.

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

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

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

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

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

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

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

Derecognition

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

2.3.3 Land and real estate held for trading

Land and real estate acquired for resale are classified as held for trading and carried out at cost, cost is determined according to each cost of land or real estate individually as the cost is represented in the fair value for the consideration plus ownership transferring expenses. Land and real estate held for trading are classified within current assets and carried out at the lower of cost and net realizable value. Net realizable value is the estimated selling price less estimating selling costs.

2.3.4 Land and real estate under development

Lands and real estate under development are recorded including cost of development. When finishing the process of development, they are reclassified as either property investment or land and real estate held for trading in accordance with management intention of future use of these lands and real estate. Construction cost of units is distributed using the appropriate distribution bases such as land and real estate area as well as sale prices of units.

Lands and real estate under development to be used as property investment are recognized at cost and re-measured by fair value. In case of absence of reliable method of measuring the fair value of these lands under development, they are recorded at cost till either the date of the completion of the real estate development or the date of reliable determination of its fair value, which is earlier.

2.3.5 Investment properties

Land and real estate acquired for rental purpose or for capital appreciation in future are classified as investment properties (including investment properties under construction). Investment properties are stated at cost at acquisition and re-measured at fair value which is determined by independent valuer at the financial statement date. Gain and loss arising from change in fair value is recognized in the income statement.

The properties investment are eliminated when sold or disposed and expected not to generate future benefits. Gains and losses resulted from disposal (calculated by the difference between net proceeds from disposals and the book value of the asset) are recorded in the income statement at the period of the elimination.

2.3.6 Property and equipment

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

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

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

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

2.3.7 Impairment of tangible and intangible assets other than goodwill

Tangible and intangible assets are tested annually for impairment.

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

2.3.8 End of service's indemnity

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

2.3.9 Provisions

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

2.3.10 Treasury shares

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.11 Proposed dividends

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

2.3.12 Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the statement of income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

2.3.13 Revenues recognition

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

Revenues from selling real estate under development are recognized in the statement of income due to completion percentage. Completion rate is determined by the cost of the work performed to total estimated costs to complete the project.

Services revenues are recognized when the services are rendered.

Interest income from Murabaha and Wakala is recognized on time basis.

Dividend income is recognized when the right to receive payment has been established.

2.3.14 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.3.15 Zakat

The Company calculates and announces Zakat payable on each share. The shareholders are responsible for the payment.

2.3.16 Fiduciary assets

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

3. Financial risk management

3.1 Financial risk factors

The activities of the group expose it to a Group of financial risks, which are market risks, which include (foreign currency risks and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and risks of market prices) in addition to credit risk and liquidity risks.

The Group is managing these financial risks through concentrating in continues evaluation of the market conditions and trends as well as the management's assessment for long and short-term market factors change.

(A) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions take place on recognized assets or liabilities which are denominated in a currency that is not the entity's functional currency.

The Group has set up policies to manage its foreign exchange risk against their functional currency, through diversifying its investments geographically and financing its investments in foreign currency through borrowing denominated in the same currency. In general, the Group concentrates its investments in Kuwait Dinar to avoid the fluctuation in foreign currency rates.

Had the US $ changed by 5% against the Kuwaiti Dinar with all other variables held constant, net profit for the year and the effect on equity would be as follows:

	Impact on statement of income	
Description	**2012**	**2011**
USD	3,577	(23,563)

Following are the net positions of significant foreign currencies as at 31 December:

	2012	2011
USD	71,533	(471,256)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated balance sheet as fair value through profit and loss. To manage this risk, the Group diversifies its portfolio, studying the market conditions and study the investment opportunities before engaged in it within the Group's strategy. These policies are carried out by the regulatory that are authorized by the Board of Directors. Most of the Group investments are in quoted and unquoted securities and funds.

(iii) 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 is not exposed to interest rate risk as the group works under Islamic Sharea'a. Profits from Murabaha and Wakala investments and costs of Murabaha and Wakala payables are allocated on the time of the deal based on the effective rate of return.

(B) Credit risk

The credit risk is the risk that the Group will incur a loss as a result from its customers, clients or counterparties failure to discharges their contractual obligations against the Group. Assets which are exposed to credit risk are cash and cash equivalents, finance lease receivables, Wakala and Murabaha receivables, receivables on sale of properties and due from related parties.

For cash and cash equivalent the Group manages this risk by dealing with high credit reputation institutes.

For other receivables, the Group manages this risk by assessing the customer's credit quality taking into consideration their financial position, past experience and reputation. Furthermore, the Group keeps the ownership of the sold assets until settling the outstanding installments or obtaining other collaterals.

The table below shows the maximum exposure to credit risk for the components of the balance sheet without taking into consideration the collaterals:

	2012	2011
Cash and cash equivalent	3,054,289	2,376,980
Investments in Islamic debt instrument	11,894,348	11,960,755
Receivables from selling real estate	7,061,696	8,889,874
Receivables from purchase of real estate	1,807,622	1,814,174
Due from related parties	3,991,927	1,812,600
	27,809,882	26,854,383

(C) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management has diversified funding sources, manages assets and monitors future cash flows and liquidity on a daily basis. This encompasses an assessment of expected cash flows and the availability of high grade collaterals which could be used to secure additional funding if required.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2012		
	Within one year	From 1 year to 3 years	From 3 to 5 years
Payables and other credit balances	7,097,878	5,969,379	-

	2011		
	Within one year	From 1 year to 3 years	From 3 to 5 years
Payables and other credit balances	7,286,905	5,590,484	-
Wakala payable	27,200,789	13,726,425	-

All Wakala payables due but not paid as at 31 December 2012 (KD 17,758,933 as at 31 December 2011) (note 14.5).

3.2 Capital risk management

The Group manages its capital to make sure that the Group will be able to continue as a going on concern in addition to provide the maximum rate of return for shareholders through the best use of equity.

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

The gearing rate as at 31 December is as follows:

	2012	2011
Total finance	56,268,468	58,307,019
Less : Cash and cash equivalents	(3,054,289)	(2,376,980)
Net debt	53,214,179	55,930,039
Total equity	74,321,882	72,957,216
Total capital	127,536,061	128,887,255
Gearing ratio (%)	41.72	43.39

3.3 Fair value estimation

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

- Level one: Quoted prices in active markets.
- Level two: Inputs other than quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

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

	Investments at fair value – statement of income		Available for sale investments	
	2012	2011	2012	2011
Level one	1,757,317	1,209,358	11,180,000	-
Level two	1,381,338	1,297,261	-	-
Level three	807,343	3,757,780	1,487,338	-
	3,945,998	6,264,399	12,667,338	-

4. Critical accounting judgments and estimates

In the application of the Group's accounting policies, which are described in note 2, the Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Valuation of financial instruments

As described in note 3, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Impairment of Receivables

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period exceeding the average credit period, change in global and local economies which led the customers to default in payment. The impact of such impairment on these financial statements is disclosed in note (8).

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note (2.3.1). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The impact of such impairment in these financial statements disclosed in note (11).

Evidence of impairment of investments

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

Contingent liabilities / liabilities

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

5. Cash at banks and financial institutions

	2012	2011
Bank current account	2,417,727	1,908,185
Cash at Funds and Kuwait Clearing company	636,134	466,404
Cash on hand	428	2,391
	3,054,289	2,376,980
Less:		
Cash restricted under legal preserve	(71,668)	(71,668)
Cash and cash equivalent for cash flows purpose	2,982,621	2,305,312

6. Investments in Islamic debt instruments

	2012	2011
Murabaha	475,000	475,000
Musharakat	12,167,772	12,234,179
	12,642,772	12,709,179
Provision for impairment	(748,424)	(748,424)
	11,894,348	11,960,755

6.1 The Group does not calculate fixed returns on Musharakat contracts based on authorization by Fatwa and Sharia Board until the settlement of these contracts. During previous years, Murabaha receivables were due but has not been paid and for which a full provision has been made. All Musharaka receivables are due in 2013.

6.2 Following is a list of the current guarantees provided for the group against Musharakat, part of the amount due from related parties by KD 2,982,213 (note 8), and contingent liabilities (note 27) as at 31 December:

	2012	2011
Portfolios at quoted shares managed by the Group	15,463,960	6,126,107
Quoted shares as collaterals against wakala payable granted to the Group by a related party	4,732,000	1,856,400
Local unquoted shares	2,991,262	2,991,262
Foreign unquoted shares	992,735	3,732,652

The Group received these collaterals under mortgage contracts signed between the Group and the debtors, in addition to the acquittance declaration appended in the executive form by one of those parties.

7. Investments at fair value through profit or loss

	2012	2011
Held for trading investments	1,757,317	1,209,358
Investments at fair value through profit or loss at acquisition	2,188,681	5,055,041
	3,945,998	6,264,399
Investments in local shares – quoted	1,757,317	1,209,358
Investments in local shares – unquoted	807,343	3,757,780
Investments in local funds – unquoted	1,381,338	1,297,261
	3,945,998	6,264,399

7.1 Investments have been valuated based on the valuation techniques as shown in note (3.3).

7.2 All investments at fair value through profit or loss are in Kuwaiti Dinar.

7.3 Some of investments at fair value through profit or loss are pledged against payable balances (note 13) and Wakala payable (note14).

8. Receivables and other debit balances

	2012	2011
Receivables from selling real estate	7,543,527	9,390,302
Deferred revenue	(481,831)	(500,428)
	7,061,696	8,889,874
Receivables from purchase real estate	1,807,622	1,814,174
Due from related parties (Note 26)	3,991,927	1,812,600
Rig lease debtors	409,474	160,319
Contract services' receivables	-	384,832
Cash restricted against letter of guarantee	801,680	1,313,745
Accrued rents	491,210	491,210
Other debit balances	1,434,028	1,185,698
	15,997,637	16,052,452
Less: provision for impairment	(2,667,433)	(2,422,118)
	13,330,204	13,630,334

8.1 Receivables from selling real estate represent the remaining balance due from selling developed properties. The ownership of these properties will be transferred upon the settlement of the remaining amount due. These balances include KD 1,330,467 as at 31 December 2012 (KD 1,906,638 as at 31 December 2011) represent payments due when delivered and register on the benefit of customers.

8.2 Receivables from purchasing real estate represent in paid amounts during prior years for purchase of real estate in Kingdom of Saudi Arabia, those amounts were under lawsuits and disputes, the Group has documented agreement reconcile with other parties to obtain amount by KD 1,207,723 in cash as well to obtain a property by KD 753,477 KD. The Group received an amount of KD 153,579 in cash during the prior years (equivalent of SR 2,000,000). Currently implementing the operative instrument of reconciliation and agreement collection of debts payable to the Group by civilian executive actions. The Group recognizes a provision for the balance of KD 903,812 was charged to the statement of income for the current year.

9. Properties held for trading

During prior years, The Group has develop villas project in Khiran consists of three phases, and has been selling most of the units developed, and transferred part to real estate held for trading and the other part to real estate investments

	2012	2011
Opening balance of the year	973,480	2,232,258
Additions	478,920	268,583
Net sales	(1,308,789)	(137,717)
Transferred to land and real estate under development	-	706,869
Transferred to investment properties	(143,611)	(2,096,513)
Ending balance of the year	-	973,480

10. Investment properties

	2012	2011
Local real estate	7,194,000	6,854,319
Foreign real estate	61,181,237	57,328,126
	68,375,237	64,182,445

Following the movement on the investment properties during the year:

	2012	2011
Opening balance of the year	64,182,445	50,855,903
Settlement of advanced payment for purchase of properties	-	11,016,177
Additions	255,038	182,487
Disposals	(325,028)	-
Transferred from properties held for trading	143,611	2,096,513
Change in fair value	4,119,171	31,365
Ending balance of the year	68,375,237	64,182,445

10.1 The fair value of investment properties was determined by independent valuators.

10.2 A part of property investments of KD 1,656,000 as at 31 December 2012 registered in related parties name and there is an assignment letter on benefit of the Group.

10.3 Investment properties include a property was recorded in the name of the Company with carrying value of KD 3,060,000 as at the acquisition date. The Company was contracted to buy this property from a related party through a deal, some of its items has been cancelled. Subsequently, no final price has been determined for this property. The amount paid under the transaction account is amounted to KD 2,278,750 was used as a part of reconciliation the property's cost and the remaining amount has been valuated based on the property's fair value that was determined by an external valuator and was recorded in payables. The seller party has filed a case in order to assign an expert to liquidate the account, this case was rejected in the first degree of court. The seller party appealed the verdict and the case was transferred to experts.

10.4 Investment properties include a plot of KD 5,508,089 as at 31 December 2012, located in one of the GCC countries. The seller is in the process to transfer the property ownership to the company.

11. Investments in associates

	Ownership percentage (%)	2012	Ownership percentage (%)	2011
Ekttitab Holding Company – K.S.C.H.	22.69	5,124,356	22.17	4,440,363
Hits Telecom Company	37.20	20,241,057	40.10	35,129,535
Kuwait City Holding Company – K.S.C.H.	29	1,087,500	-	-
		26,452,913		39,569,898

11.1 The following is a summary of the Group's share of the net assets and results of its associates according to the latest financial statements available:

	2012			
Description	**Fair value**	**Net assets**	**Results**	**Date of last available financials**
Ekttitab Holding Company – K.S.C.H.	3,567,886	5,313,094	346,055	30 September 2012
Hits Telecom	14,666,921	22,156,266	(2,112,998)	31 December 2012 (Draft)
Kuwait City Holding Company – K.S.C.H.	-	3,907,112	-	31 December 2012

	2011			
Description	**Fair value**	**Net assets**	**Results**	**Date of last available financials**
Ekttitab Holding Company – K.S.C.H.	2,204,195	4,629,101	(902,672)	30 September 2011
Hits telecom	14,786,063	39,531,371	(300,894)	30 September 2011

11.2 Ektitab Holding Investment balance includes deferred revenues by KD 188,738 as at 31 December 2012 (KD 188,738 as at 31 December 2011).

11.3 The Group recorded impairment of the investments in Hits Telecom Company by KD 1,915,209 during the year ended 31 December 2012 as its net recoverable amount less than book value. The recoverable amount has been determined based on the average market price of Hits Telecom Company's share.

11.4 A part of these investments in an associate pledged against payable balances (note 13) and Wakala payable (note 14).

11.5 The Group has control on Ektitab Holding Company and Hits Telecom Company through its majority of representation in the former Board of Directors. Subsequent to the financial statement date , the Group lost its majority of representation, therefore the Group does not consolidate the financial statements of Ektitab Holding Company and Hits Telecom Company with its financial statements.

11.6 As at the date of these financial statements, the Group reclassified its investments in Kuwait City Holding Company from investment at fair value through profit or loss to investment in associates, based on instructions of regulatory body. The investment was recorded by its carrying value as at the date of transfer, which is equivalent to the investment's fair value that was determined based on the discounted cash flows. No effect has been resulted on the statement of income as the investment in the associate has been recorded at cost less impairment losses.

12. Available for sale investments

	2012	2011
Local investments – quoted	11,180,000	-
Local investments – unquoted	1,487,338	-
	12,667,338	-

12.1 Available for sale investments were evaluated based on evaluation method mentioned in note (3.3).

12.2 All available for sale investments are in KD.

12.3 Available for sale investments include the Group's investment in a Kuwaiti Shareholding Company by 18% approximately. The Group has control on that Company through its majority of representation in the Board of Directors. During the period subsequent to the date of preparing these financial statement, the Group lost its majority of representation, therefore the Group does not consolidate the financial statements of that Company with its financial statements.

13. Payables and other credit balances

	2012	2011
Trade payable	562,862	610,035
Accrued to subcontractors	63,037	631,840
Payables on purchase of investment properties	2,440,668	4,451,296
Payables on purchase of investments	3,977,707	3,977,707
Claims provision	3,257,766	-
Due to related parties (note 26)	440,092	780,076
Accrued dividends	662,411	543,814
Accrued expenses	56,420	90,419
Tax deductions	1,160,882	1,121,645
Other credit balances	445,412	670,557
	13,067,257	12,877,389

13.1 During the year, a part of payables on purchase of property investments has been settled; accordingly the ownership of the related investments has been transferred in favor of the Group. Currently, the Group is in the process of releasing the pledges provided to the creditors represented in investments in an associate amounted to KD 1,069,429 as at 31 December 2012 (KD 1,683,787 as at 31 December 2011), as well as treasury shares amounted to KD 1,230,943 as at 31 December 2012 (KD 1,756,425 as at 31 December 2011).

13.2 The Group has pledged investments in an associate with a book value of KD 712,858 (KD 843,418 as at 31 December 2011) and investments at fair value through profit or loss of KD 699,371 as at 31 December 2012 (KD 628,421 as at 31 December 2011) against payables on purchase of investments. The creditor has filed law suits against the Group to claim for repayment. A judgment has been issued obliging the company to make such payment in addition to an amount of KD 5,001 as a temporary compensation. The Group has appealed against such judgment, which was rejected by the court which upheld the former judgment. The Group then filed an appeal before the Court of Cassation against such judgment.

14. Wakala payable

14.1 The average effective yield rate ranged between 4.5% to 6% as at 31 December 2012 (4.5 % : 6% as at 31 December 2011).

14.2 The Wakala payable are denominated in the following currencies:

	2012	2011
Kuwaiti Dinar	51,636,178	53,402,877
US Dollar	4,632,290	4,904,142
	56,268,468	58,307,019

14.3 Additional to pledge some of the real estate held for trading, Wakala payables stated guaranteed against pledging the following assets:

	2012	2011
Investments in associates	19,725,322	28,299,908
Investments at fair value through profit or loss	945,154	909,000
Real estate held for trading	-	739,314
Investment properties	6,288,397	5,040,819
	26,958,873	34,989,041

A related party has pledged an investment portfolio with a fair value of KD 1,242,553 in favor of the creditors against wakala garanted to the Group.

14.4 Wakala payables include an amount of KD 2,522,653 as at 31 December 2012 and 31 December 2011 which represents Wakala granted by investment funds.

14.5 All Wakala payables were matured as at 31 December 2012 (KD 17,758,933 as at 31 December 2011), but have not been renewed, or paid. The Group had ceased to record the finance cost thereon. There is a legal dispute with all parties of the Wakala contracts on the amounts that should be paid out of the Wakala principle payables of KD 52,671,408, except for a creditor who is owed by KD 3,597,060 as at 31 December 2012, as there is a negotiation with this party. An executive confiscation has been made on the Company's pledged assets for Wakala payables.

15. Share capital

The issued and full paid capital is KD 40,706,523 distributed over 407,065,225 shares with a nominal value of 100 fils each and all shares are in cash.

16. Treasury shares

	2012	2011
Number of shares (share)	22,441,619	22,901,619
Percentage (%)	5.51	5.62
Market value	1,166,964	858,811

17. Reserves

Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of net profit before KFAS, National Labor Support Tax, Board of Directors' remuneration and Zakat expense are transferred to statutory reserve. Statutory reserve is not distribute able to shareholders; however, the reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the company and its shareholders.

Voluntary reserve

In accordance with the company's Articles of Association, a percentage of net profit as proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors.

Amortizing of accumulated losses

On 31 May 2012, the General Assembly of the company's Shareholders approved the financial statements for the year ended 31 December 2011, and approved non-distributing any dividends for the year ended 31 December 2011, and also approved to amortize the Company's accumulated losses by KD 11,593,304 as at 31 December 2011, this amortization will take from statutory reserve and voluntary reserve balances by KD 3,507,676 and KD 3,409,102 respectively, and reduce the remaining amount of KD 4,676,526 from the share premium.

18. Other reserves

	Employee share options reserves	Share of group from associate reserves	Changes at fair value reserve	Foreign currency translation reserves	Total
Balance as at 1 January 2011	**490,500**	**(829,577)**	-	**49,427**	**(289,650)**
Total comprehensive loss for the year	-	(445,046)	-	(54,177)	(499,223)
Balance as at 31 December 2011	**490,500**	**(1,274,623)**	-	**(4,750)**	**(788,873)**
Balance as at 1 January 2012	**490,500**	**(1,274,623)**	-	**(4,750)**	**(788,873)**
Total comprehensive income for the year	-	496,628	365,417	12,654	874,699
Balance as at 31 December 2012	**490,500**	**(777,995)**	**365,417**	**7,904**	**85,826**

19. Income from real estate

	2012	2011
Changes at fair value of real estate investments	4,119,171	31,365
Rents from real estate investments	533,546	378,667
Loss from sale of real estate investments	(131,785)	-
Net income from real estate services	11,621	3,665
Gains from sale of real estate held for trading	15,683	20,303
Losses from sale of lands and real estate under development	-	(294,166)
	4,548,236	139,834

20. Losses from investments

	2012	2011
Murabaha income	3,592	125,318
Gain on sale of investments at fair value through profit or loss	199,362	954,093
Change in fair value of investments through profit or loss	(686,374)	(3,098,952)
	(483,420)	(2,019,541)

21. Losses from investments in associates

	2012	2011
(Losses)/profits from trading on associates	(388,339)	480,990
Group's share in associates' results	(1,766,943)	(1,203,566)
	(2,155,282)	(722,576)

22. Other expenses

Other expenses include staff costs of KD 1,191,011 for the year ended 31 December 2012 (KD 1,075,893 for the year ended 31 December 2011).

23. Provide/ (reversal of) provisions and impairment

	2012	2011
Impairment losses of investment in associates	1,915,209	5,605,920
Provide provision claims	3,257,766	-
Provide/ (reversal of) provision of doubtful debt	260,292	(9,356,759)
	5,433,267	(3,750,839)

24. Loss per share

Basic loss per share is calculated by dividing net loss for the year by the weighted average number of outstanding shares during the year as follows:

	2012	2011
Net loss for the year attributable to shareholders' of the Company	(3,337,962)	(2,551,773)
Weighted average number of issued shares and outstanding shares during the year / (share)	384,270,291	384,163,606
Loss per share (fils)	(8.69)	(6.64)

25. Investments in subsidiaries

Below is the statement of significant subsidiaries:

Company name	Legal entity	Country of incorporation	Activity	Ownership (%) 2012	Ownership (%) 2011
Al Madina Realty Company	W.L.L.C	Cayman Island	Real estate	100	-
Al Madina Buildcon Company	W.L.L.C	Cayman Island	Real estate	100	-
Al Madina Educational Company	K.S.C.C	Kuwait	Education	99.06	100
Al Sari National Holding	K.S.C.C	Kuwait	Holding	-	100
Real capital Company	W.L.L.C	Kuwait	General trading	99	100
Al Tatweer Capital Real Estate Company and its Subsidiaries	K.S.C.C	Kuwait	Real estate	79.58	85.63
Stone for Energy	K.S.C.C	Kuwait	Oil sector	99.75	100
Sarh Capital real Estate Company and its subsidiaries	K.S.C.C	Kuwait	Real estate	45.12	84.12

25.1 The financial statements of the subsidiaries have been consolidated based on the audited financial statements as at 31 December 2012, the subsidiaries' assets amounted to KD 97,228,786 as at 31 December 2012 (KD 77,736,950 as at 31 December 2011), and net profits of KD 2,990,369 during the year ended 31 December 2012 (KD 2,982,531 as at 31 December 2011).

25.2 On June 2012, the Group has disposed 6.05% of its investment share in Al Tatweer Capital Real Estate Company against settlement of certain payables. No gains or losses resulted from such transaction. This transaction has been eliminated from the statement of cash flows as it is a non-cash transaction.

25.3 On December 2012, the Group has disposed 39% of its investment share in Sarh Capital Real Estate Company. The investment in the subsidiary has been disposed against a collection of KD 9,716,850 in cash. This transaction has resulted in losses of KD 3,535,951 (including a closing translation reserve amounted to KD 20,198) that were recorded directly in the accumulated losses.

25.4 On November 2012, the Group has disposed all its investments in Sari National Holding Company against assigning the receivable amounts due to the subsidiary by the buyer amounting to KD 1,548,855, in addition to a cash payment of KD 3,481,920. This transaction has resulted in gains of KD 2,009,388 (recorded in the consolidated statement of income for the current year). Also, treasury shares of KD 7,286 were disposed.

Following is a statement of net assets of Sari National Holding Company (a subsidiary) as at disposal date:

	KD
Assets	
Cash and cash equivalent	114,819
Investments at fair value through profit or loss	124,621
Investments in associates	13,114
Company's investment in Parent Company's share (treasury shares)	7,286
Receivables and other debit balances	1,315,461
Due from Parent Company	1,548,855
Property and equipment	985,667
Liabilities	
Payables and other credit balances	(1,001,975)
Employees' end of service indemnity	(86,461)
Net assets	3,021,387
Add: profits from disposal of a subsidiary	2,009,388
Total disposal amount	5,030,775
Less: settlement of debt current account due to subsidiary	(1,548,855)
Cash collected from disposal of subsidiary	3,481,920
Less: cash in subsidiary at disposal date	(114,819)
Cash from disposal of subsidiary	3,367,101

26. Related parties' transactions

Related parties represent in the Group's shareholders who have representation in the board of directors, members of the board of directors, senior management, subsidiaries and associates. In the normal course of business and subject to the Group's management approval, there were transactions with related parties during the year ended 31 December except what were disclosed in the other paragraph. The related parties significant transactions and outstanding balances were as follows:

	2012	2011
Transactions		
Murabaha and Musharakat income	3,592	125,318
Acquisition of available for sale investments	1,487,338	-
Rental income	148,000	82,800
Profits from sale of investment at fair value through profit or loss	205,245	-
Key and executive management remunerations	(95,444)	(133,778)
Losses from sale of real estate investments	(78,460)	-
Losses and expenses from sale of subsidiary	(2,010,431)	-
Balances		
Investments in Murabaha and Musharakat	11,894,348	11,960,755
Receivables and other debit balances	3,991,927	1,812,600
Payables and other credit balances	440,092	780,076
Restricted cash against letter of guarantee in favor of related parties	516,088	-

The Group manages portfolios on behalf of related parties, the net assets of those portfolios amounted to KD 33,241,105 as at 31 December 2012 (KD 18,175,778 as at 31 December 2011) and were recorded out of consolidated financial statement items.

The Company has provided a joint security against a Murabaha payable granted to a related party of 2,298,011 as at 31 December 2012.

All related parties' transactions are subject to the approval of the General Assembly of the shareholders.

27. Contingent liabilities

During previous years, one of the parties has filed a lawsuit against the Group to demand the exercise of the re-sell option of shares in one of the foreign investments. A judgment of first instance has been issued in favor of that party obliging the Group to pay USD 10 million against giving the investments back to the Group. The Group has appealed against that judgment. During the year, the Appellate Court rejected the appeal and upheld the judgment of first instance. The Group filed an appeal before the Court of Cassation against such judgment, and during the subsequent period a judgment was issued in favor of the opponent. A provision has been recorded against this obligation.

There are legal disputes between the Group and certain portfolio clients in respect of liquidation of those parties' accounts amounting to KD 6,131,610. The Group's management believes that there is no provision required for this purpose, as there are off-balance sheet assets pledged by certain third parties in favor of the Group, in addition to mortgage of certain assets directly by the same parties in favor of portfolio clients, that can be used to cover the judicial rulings outcome. The fair value of the collaterals exceeds the claims' value. A reconciliation and settlement contract has been concluded with one party for the payment of an amount of KD 2,200,000. The completion of the settlement items and waiving the claims under lawsuits by that party are under process in the subsequent period. An executive confiscation by a judgment has been made on certain assets.

The Group's management believes that there will be no impact on the results of the Group's accordingly.

28. Segment distribution

The Group carries out the majority of its activities two major segments:

- Real estate segment: represents in develop and sell land and properties.
- Investment segment: represents in direct investment and portfolios management and investment funds for third parties.

Analysis of the financial information according to segments for year ended 31 December is as follows:

	Real Estate		Investment		Total	
	2012	2011	2012	2011	2012	2011
Segment income	4,548,236	139,834	(503,324)	(8,151,171)	4,044,912	(8,011,337)
Segment results	4,548,236	139,834	(884,314)	(1,435,200)	3,663,922	(1,295,366)
Segment assets	74,743,372	73,620,797	54,960,597	57,795,052	129,703,969	131,415,849
Segment liabilities	2,440,668	4,451,296	60,908,586	62,828,540	63,349,254	67,279,836

	2012	2011
Total segment results	3,663,922	(1,295,366)
Other income	288,112	838,701
Gross profit for oilfields services and others	923,045	1,519,197
Impairment provision	(5,433,267)	-
Other expenses	(2,207,112)	(1,850,884)
Net loss for the year	(2,765,300)	(788,352)
Total segment assets	129,703,969	131,415,849
Cash and cash equivalents	3,054,289	2,376,980
Receivables and other debit balances	6,962,069	5,165,462
Property and equipments	4,070,443	5,330,231
Total assets	143,790,770	144,288,522

Geographical distribution of assets and revenues

	2012		2011	
	Assets	Revenues	Assets	Revenues
Kuwait	76,663,947	3,984,880	80,719,797	2,129,134
Middle East	67,126,823	3,909,891	63,568,725	565,464
	143,790,770	7,894,771	144,288,522	2,694,598

29. Off balance sheet items

The Group manages portfolios on behalf of others and investment funds, and didn't shows the balances of the portfolio and funds in the financial statement of the Group. The net assets of these assets managed on behalf of others amounted to KD 60,209,490 as at 31 December 2012 (KD 32,007,464 as at 31 December 2011).