ANNUAL REPORT
2012

Kuwait Real Estate Investment Consortium (K.S.C.) Closed

36th

KUWAIT REAL ESTATE INVESTMENT CONSORTIUM - KSC. (CLOSED)

Declared Capital 10,000,000 Kuwaiti Dinars

Paid – up Capital 10,000,000 Kuwaiti Dinars

Commercial Registry Number 20953

Established in Kuwait in Oct.26,1975

Located in Sharq – Ahmad Al Jaber street - Marzouq & Al-Awadi Building

P.O. Box 23411 – Safat – 13095 – State of Kuwait

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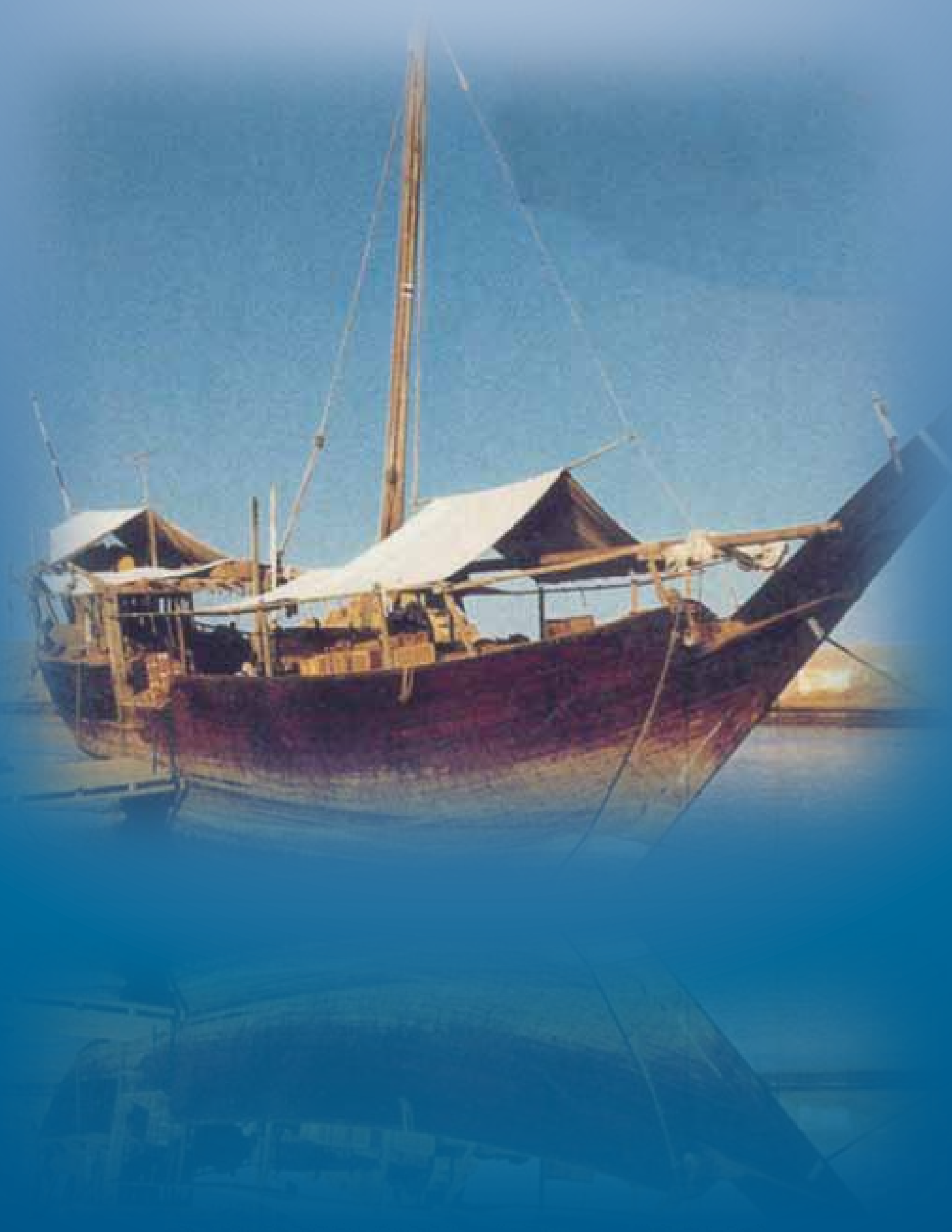
www.kreic.com

The Amir of Kuwait

H. H. Sheikh Sabah Al-Ahmad Al- Jaber Al-Sabah



The Crown Prince of Kuwait

H. H. Sheikh Nawaf Al-Ahmad Al- Jaber Al-Sabah

الكويت

The Prime Minister of Kuwait

H. H. Sheikh Jaber Mubarak Al Hamad Al-Sabah


المجموعة الإستثمارية العقارية الكويتية (ش.م.ك) مقفلة
Kuwait Real Estate Investment Consortium (K.s.c) Closed.

Contents

Board of Director

Eng. Saleh A. Al-Kouh	Chairman
Dr. Faisal A. Al-Kandari	Deputy Chairman
Abdullah Abdul Wahab Al- Ramadan	Board Member
Munirah Assad Al-Ajeel	Board Member
Mohammed Muhanna Al- Gurbah	Board Member
Hashim Saif Al- Saif	Board Member
Dr. Haider H. Al-Jumah	Board Member
Ali S. Al-Ghunaim	General Manager

Board of Director's Report

Gentlemen shareholders

The Board Directors of Kuwait Real Estate Investment Consortium have the pleasure to present you the 36th Annual Report, including the most important economic developments on the global and local level as well as the results of the annual performance, the consolidated financial statements and the independent auditor's report for the financial year ending 31 December 2012.

After four years of the global economic crises the global economy is still facing large degree of volatility, in 2012 it has been witnessed weak growth to reach 3% after 3.8% in 2011 also the varying political events and processors from the central banks in the world due to the deficit crisis and sovereign debt. Despite the signs of slight improvement about some economies in the development countries, however this is remain to the subject of commitment by policies and procedures taken as an easing monetary policy in the United States, and financial austerity policy in euro zone.

Regionally, the economies in the Middle East and North Africa are still suffering from weaknesses and instability due to unstable political events. Regarding to the Gulf Cooperation Council (GCC), it is noted that the stable economy is a salient feature in 2012 supported by financial surpluses as a result of high oil prices, and this is motivation for them to continue following the expansion policy and spending for infrastructure projects.

Locally, it is noted that the continue of instability political and delays in the implementation of infrastructure projects add another dimension which does not encourage the growth of economic sectors and create an environment work which is not motivating. However the local real estate sector is able to prove its steadfastness and recovering during 2012 achieving increase in the turnover transactions by 16% in 2011 to reach the total amount 3.1 billion Kuwaiti dinars, where the residential real estate take the volume of those transactions by 55%, followed by real estate investment by 37%.

About the events and economic changes, KREIC managed to continue achieve positive results, although the results in 2012 were not consistent with the level of our ambitions, but it was remarkable in the prevailing economic conditions, taking into account to monitor some necessary provisions to to cope the drop in the values of some assets, as well as to meet future obligations, the annual net profit in 2012 is KD 183 thousand, therefore we recommend to not distribute the dividend in 2012.

Also we would like to inform you that we assigned with specialized expert offices to draw and prepar the general strategy for the company and the action plan for the next five financial years in beliefs that we need to redirect the resources and to set the objectives in order to expand the company's activities in the future.

Finally , the board of directors and all the employees are introduce to the shareholders the sincere thank and appreciation for their precious confidence and continue support which is a source of inspiration and lead us to do more work and achievement. Also I would like to thank the management of KREIC and all the employees for their sincere efforts hope for everyone to make more effort and hard work in order to move KREIC to higher levels of specialized real estate work.

Eng .Saleh Abdullah Al Kouh
Chairman

Direct Investment Department

The activity of Direct Investment Department is based on strong principles work due to its competitive capabilities and searching for the investment opportunities secure and profitable within and outside the state of Kuwait . The work is to continue development of the existing investments according to the events and economic trends expectations, also establishing companies to cooperate with others parties, contribute to the companies and invest in the investment funds according to the company's activities. Direct Investment Department is pursuing the moderate investment policy by trying to seize the remunerative investment opportunities.

Here are summarize some of the outlines which have been contributed by KREIC and operated under the Direct Investment Department

Lebanese Real Estate Investment Consortium S.A.L:

Lebanese consortium LREIC was found in 1994 and currently owns the residential investment project consisting 120 housing units (Sofer Hills Project).

Sawfar Hills

The property is located on an area of 109, 000 square meters in Sawfar - Sharon Real Estate area - Mount Lebanon - Aley on the average height of 1,350 m above sea level which is giving the site distinctive location. The property is located on the distance of 27 km from Beirut, 11 km from Aley, 7 km from the Hamana and 6 km from Bhamdun. Sofer Hills Property has been sorted in to 72 plots, 6 for entertainment services, 66 prepared and ready for construction after completing the first phase of infrastructure for the entire project by implementing all the services as (Water, electricity, road lighting, paving & landscaping).

Waterfront Real Estate Company

The company owns a project called (Investate Waterfront) located in Dubai, specifically in Al-Arab city near the Palm Jabal Ali and on a total area of 28.200 square meters.

Sunset Hills – Bahrain:

Sunset Hills is one of the prominent development projects in Bahrain, located near Bahrain International Airport, Bahrain International Circuit for the Formula and the University of Bahrain on the southern gate of the Al Areen project, the costs of project are US$ 13 Billion located on a land area 44 thousand square meters.

The total area is 60 thousand square meters. The project includes number of (10) Villas, (200) flats, (41) houses, a health club and (4) retailers.

The process of developing the project began during the last quarter in 2007. The first and the second phase has been completed by the infrastructure work and expected to be complete in 2012.

Arab Ceramics Company (Arasemco):

www.Aracemco.com

Arab Ceramics Company (Arasemco) was found in 1975 according to the scope of the investment capital, foreign Arab and free zones.

The company is one of the leading companies in the manufacture, production sanitary ware and various kinds of porcelain tiles due to have the advantage of producing the local raw materials and using the imported raw materials to suit all the tastes and levels at the local, Arab and international after the company obtained the International Quality Certificate from Dutch Foundation Kiowa.

The property rights in 2012 are 242 million pounds equivalent to 242% from the capital (100 million pounds). KREIC's share are 24.39%, in the general assembly the company approved to distribute awarding shares by 25% from the capital and cash dividend by 37.5% -2012 (56.25% - 2011).

Investment Water Front project:

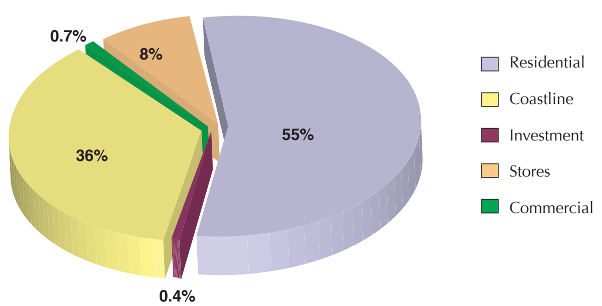
The project contains a luxury hotel, furnished apartments, commercial sections and resort services providers. In addition the project has luxury apartments with total construction area which reach to 2.1 million square feet located on the front line of the sea along 150 meters.

Real Estate and Portfolio Department

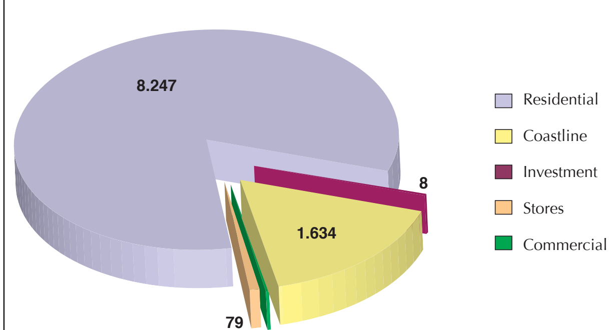
The continued impact of the economic credit crisis in European countries lead to weak growth rates for some of these countries and began talking about the impact on Asian countries which are associated commercially. The United States and some Latin American countries managed to achieve the growth of their economy in 2012 While the political events are still affecting some states in the Middle East and North Africa, some other countries has managed to achieve the growth rates for their economies by increase spending and implement the certain financial policies which supported by the stability of the raw materials prices at current rates including the State of Kuwait.

At the local real estate sector ,the decision to reduce the discount rate from 2.5% to 2% and the lack of available investment opportunities had positive impact on the real estate sector especially the private residential and investment therefore this is contributed to rise the value of real estate trading to KD 3.36 Billion by 15.9% compared with KD 2.9 Billion in 2011, the residential sector and investment sector achieve the largest share the trading sectors are 55% & 36% of the total real estate transactions in 2013.

Distribution sectors by value of sales

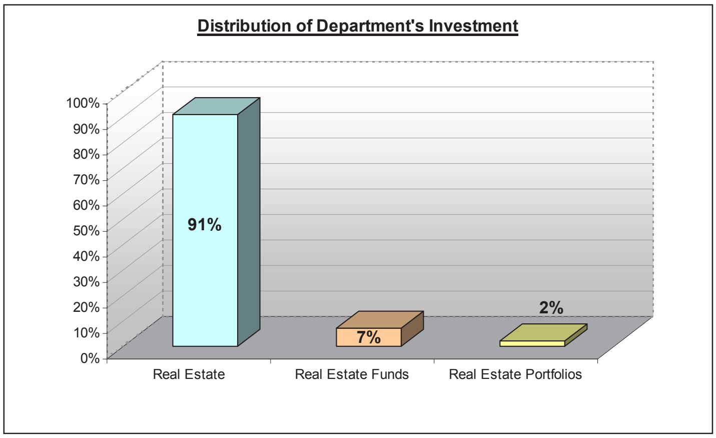


Distribution sectors by the number of transactions



Real Estate Assets and Portfolio Department

The market value of the assets are KD 27.6 Million, in 2012 the activity was to raise the operational efficiency for KREIC properties and the leasing properties which have been developed, the properties are represented by 91% from the value of investments while the other real estate investments represent the remaining percentage for funds.



Real Estate Portfolio of KREIC

Real Estate Portfolio focus on the commercial and investment sectors, the market value is KD 25,1 Million some are 66% commercial properties at value KD18, 1 Million and the rest for properties investments.

Funds and portfolios

The value of KREIC First Real Estate Fund is KD 1,984 Million by rate 7% from the total value of department's assets , the net value for unit is KD 1.685 compared with KD 1.537 in 2011 achieving return 13.5 since the beginning of the year and this is due to the high value of the fund's assets. While the Real Estate Portfolio represents 2% from the total value of assets at value KD 459 thousand and the completion of refund the value of units which have been invested in Al Dar Real Estate Fund

Project Management and Maintenance Department

KREIC's Local Real Estate Portfolio

The local real estate portfolio consist a variety of commercial and investment properties are distributed in the different areas of Kuwait and characterized by high occupancy percentage due to the management efforts exerted in the follow-up maintenance and leasing.

Property Management of others

The company is currently working on the managing of the real estate portfolios for Kuwait Investment Authority and the settlement and managing office for government purchased debts, in addition to the managing and operating the properties of First Real Estate Fund.

Engineering Project Management

The Engineering Project management is the most important activities in KREIC. They are managing several engineering projects the most prominent one is for the Kuwaiti Ministry of Foreign Affairs. KREIC has submitted their offers to manage more projects in the future, and the department is currently followed up by the development of projects and the renovation for Safir Airport Hotel - Safir International Hotel.

Real Estate Appraisal

Based on the real estate certificate No. 20 issued by the Ministry of Commerce & Industry, KREIC evaluates all the types of real estate. It is one of the leading companies in the real estate evaluation due to its credibility, professionalism, pursuing the scientific and technical evaluation, also the ability to attract number of Kuwaiti banks and government agencies in addition to the number of investment and real estate companies.

KREIC'S Residential Complex (Bneid Al Gar)

Located in Bneid Al Gar on an area of 2940 m² and overlooking on three streets. The building is an investment complex which consists16 floors, from the first floor to the 14th consists three apartments one of these are two bedrooms with its accessories and two apartments are three bedrooms with its accessories, while the 15 and 16 floors each of them are two apartments four rooms system and its accessories.

The project has several public services like a swimming pool, sport room, children's play area, parking in the basement and the ground floor as well as the intercom services, and central satellite. During 2012 the rental rate is 94% of the total property units.

KREIC'S Administrative Office Building

KREIC'S building is located in Sharq -Ahmad Al-Jaber Street Block 5, Plot 47 with an area of 638 square meters. It is an administrative office building which consists of 25 floors in a net area of 250 square meters for one floor. The complex is a smart building including a lot of modern technological services. The complex has been leased entirely to the Ministry of Finance- to the State Property department- and exploited by the Central Tenders Committee.

Kuwait Real Estate Investment Consortium - KSCC
And its subsidiary
State of Kuwait

Consolidated Financial Statements
And Independent Auditor's Report

31 December 2012

Independent Auditor's Report To The Shareholder

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Real Estate Investment Consortium KSCC, "the Company" and its subsidiary (together referred to as "the Group") which comprise the consolidated statement of financial position as of 31 December 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 consolidated financial position of the Group as of 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We refer to note (6) to the consolidated financial statements which indicates that an investment in money market fund classified as at fair value through profit or loss amounting to KD 673 thousand as of 31 December 2012 (KD 862 thousand as of 31 December 2011) where units' redemption has been suspended due to the financial difficulties being faced by the fund as a result of the global and regional economic crisis. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained the information that we required for the purpose of our audit and 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 violations of the Companies Law no. 25 of 2012, or of the Articles of Association of the Company 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 except as disclosed in note (21) to the consolidated financial statements.

Jassim Ahmed Al-Fahad
License No. 53-A
Deloitte & Touche
Al-Fahad, Al-Wazzan & Co.
Kuwait
10 March 2013

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

	Note	2012	2011
Assets			
Current assets			
Cash and cash equivalents	5	2,807	2,516
Investments at fair value through profit or loss	6	3,209	3,577
Accounts receivables	7	208	102
Due from related parties	8	370	400
		6,594	6,595
Non-current assets			
Investments available for sale	9	2,312	2,293
Held to maturity investments		26	27
Land and real estate under development		1,469	1,455
Investment in associates	10	2,498	2,692
Investment properties	11	16,657	17,179
Property and equipment		50	67
		23,012	23,713
Total assets		29,606	30,308
Liabilities and Equity			
Current liabilities			
Accounts payables	12	2,907	3,336
Equity			
Share capital	13	10,000	10,000
Statutory reserve	14	3,508	3,486
Voluntary reserve	15	3,508	3,486
Foreign currency translation reserve		(777)	(752)
Change in fair value reserve		326	252
Group's share in associates' reserves		(50)	(45)
Retained earnings		10,184	10,545
Total equity		26,699	26,972
Total Liabilities and Equity		29,606	30,308

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

Saleh Abdullah Al-Kouh	**Dr. Faisal Abdullah Al – Kandari**	**Ali S. Al-Ghunaim**
Chairman	Vice Chairman	General Manager

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

	Note	2011	2010
Revenues			
Management fees	8	204	204
Net rental income	16	1,384	1,209
Investments losses	17	(94)	(317)
Group's share in associates' results	10	487	986
Other income	18	295	590
		2,276	2,672
Expenses and other charges			
Other expenses	19	218	238
Staff costs	20	1,064	1,180
Depreciation		556	494
Impairment loss and provision for doubtful debts		218	-
Zakat expense		5	4
Contribution to Kuwait Foundation for the Advancement of Science		2	7
Board of Directors' remuneration	21	30	48
		2,093	1,971
Net profit for the year		183	701
Earnings per share (fils)	22	1.83	7.01

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 Thousand Kuwaiti Dinars)

	2012	2011
Net profit for the year	183	701
Other comprehensive income		
Transferred to statement of income on sale of investments available for sale	-	29
Change in fair value of investment available for sale	19	(427)
Impairment of investments available for sale	55	488
Foreign currency translation	(25)	(175)
Group's share in associates' reserves	(5)	(2)
	44	(87)
Total comprehensive income for the year	227	614

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2012

(All amounts are in Thousand Kuwaiti Dinars)

	Share capital	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Change in fair value reserve	Group's share in associates' reserves	Retained earnings	Total
Balance at 1 January 2011	10,000	3,409	3,409	(577)	162	(43)	10,598	26,958
Net profit for the year	-	-	-	-	-	-	701	701
Other comprehensive income								
Transferred to statement of income on sale of investment available for sale	-	-	-	-	29	-	-	29
Change in fair value of investments available for sale	-	-	-	-	(427)	-	-	(427)
Impairment of investments available for sale	-	-	-	18	488	-	-	506
Foreign currency translation reserve	-	-	-	(193)	-	-	-	(193)
Group's share in associates' reserves	-	-	-	-	-	(2)	-	(2)
Total other comprehensive income	-	-	-	(175)	90	(2)	-	(87)
Cash dividends	-	-	-	-	-	-	(600)	(600)
Transfer to reserves	-	77	77	-	-	-	(154)	-
Balance at 31 December 2011	10,000	3,486	3,486	(752)	252	(45)	10,545	26,972
Balance at 1 January 2012	10,000	3,486	3,486	(752)	252	(45)	10,545	26,972
Net profit for the year	-	-	-	-	-	-	183	183
Other comprehensive income								
Change in fair value of investments available for sale	-	-	-	-	19	-	-	19
Impairment of investments available for sale	-	-	-	-	55	-	-	55
Foreign currency translation reserve	-	-	-	(25)	-	-	-	(25)
Group's share in associates' reserves	-	-	-	-	-	(5)	-	(5)
Total other comprehensive income	-	-	-	(25)	74	(5)	-	44
Cash dividends	-	-	-	-	-	-	(500)	(500)
Transfer to reserves	-	22	22	-	-	-	(44)	-
Balance at 31 December 2012	10,000	3,508	3,508	(777)	326	(50)	10,184	26,699

The accompanying notes from an integral part of these consolidated financials statemen

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

(All amounts are in Thousand Kuwaiti Dinars)

	Note	2012	2011
Cash flows from operating activities:			
Net profit for the year		183	701
Adjustments:			
Provisions no longer required	18	(120)	(433)
Investments losses	17	94	317
Interest income	18	(23)	(33)
Group's share in associates' results		(487)	(986)
Depreciation		556	494
Provisions		218	-
Operating profit before changes in operating assets and liabilities		421	60
Investments at fair value through profit or loss		220	556
Accounts receivables		(268)	(10)
Due from related parties		(17)	74
Accounts payables		(309)	115
Net cash flows generated from operating activities		47	795
Cash flows from investing activities:			
Dividends received from an associate		629	844
Paid for investment properties	11	(7)	(1,182)
Proceeds from sale of investments available for sale		-	200
Purchase of property and equipment		(10)	(43)
Interest received		23	28
Dividends received from investment	17	109	96
Net cash generated from / (used in) investing activities		744	(57)
Cash flows from financing activities:			
Cash dividends paid		(500)	(600)
Net cash used in financing activities		(500)	(600)
Net increase in cash and cash equivalents		291	138
Cash and cash equivalents at beginning of the year		2,516	2,378
Cash and cash equivalents at end of the year	5	2,807	2,516

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

1. Incorporation of the Group

Kuwait Real Estate Investment Consortium ("The Company") is a Kuwaiti Shareholding Company (Closed) incorporated in 26 October 1975 and it is a subsidiary of Kuwait Investment Authority. The Company is engaged in carrying out real estate activities, investment in securities, investment and real estate portfolios management activities inside and outside Kuwait.

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary (Lebanon Real Estate Investment Consortium Company) together referred as the "Group".

The subsidiary's aggregate assets is equivalent to KD 2,072 thousand as of 31 December 2012 (KD 2,062 thousand as of 31 December 2011) aggregate net losses is equivalent of KD 11 thousand for the year ended 31 December 2012 (KD 40 thousand for the year ended 31 December 2011).

The audited financial statements for the subsidiary for the year ended 31 December 2012 were used in the preparation of the consolidated financial statements for the Group.

The Company is located in Al Sharq, Ahmed Al Jaber Street, P.O. Box 23411, Safat 13095, Kuwait.

Kuwait Investment Authority owns 99.127% of the total shares of the Company.

On 19 March 2012, the shareholders' general assembly approved the consolidated financial statements of the Group for the year ended 31 December 2011.

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 arrangements 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.

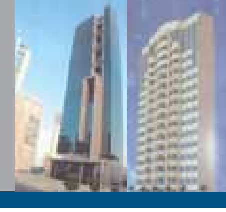
The consolidated financial statements were authorized for issue by the Board of Directors on 10 March 2013.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are 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, investments properties 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 12Disclosure 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

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

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

The 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 New and revised standards

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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 in line with those used by 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, a gain or loss is recognized in the consolidated statement of income and is calculated as the difference between

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Any related accumulated items in equity will be accounted for as if the Company had directly disposed of the relevant assets (reclassified to the consolidated statement of income or transferred directly to retained earnings). 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 combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated statement of income 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 (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the consolidated statement of income where such treatment would be appropriate if that interest were disposed off.

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. 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 recognised immediately in the consolidated statement of income.

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 consolidated statement of income. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39.

The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group reclassifies all amounts previously recognised in other comprehensive income in relation to that associate to the consolidated statement of income when it loses significant influence over that associate.

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

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 arising on remeasurement recognised in the consolidated statement of income. The net gain or loss recognised in the consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 3.

Held to maturity assets

These are non-derivative financial assets with fixed or determinable payments and a fixed maturity date, and the management has the intent and ability to hold them to their maturities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment.

Available for sale (AFS)

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

The financial assets available for sale are 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 the consolidated 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 will be 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.

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 consolidated statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of income for the year.

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 the consolidated statement of income 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 the consolidated statement of income are not reversed through the consolidated statement of income. 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 the consolidated statement of income.

Financial liabilities

Financial liabilities (including borrowings) are recognised initially at fair value, net of transaction costs incurred 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 consolidated statement of income 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 under development

Land and real estate under development are recognized at cost, which includes development cost. When the development process is completed, the land and real estate are classified as either investment properties or land and real estate held for trading according to the management's intention regarding the future use of these properties.

2.3.4 Investment properties

Properties not occupied by the Group and acquired to earn rental income leases or for capital appreciation in future are classified as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses if any.

Investments properties are depreciated on straight line basis over its estimated useful life.

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.

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

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

2.3.5 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated 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 the consolidated statement of income.

2.3.6 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.

2.3.7 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 financial position date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.8 Revenue recognition

- Management fees are recognized based on an accrual basis as specified in the portfolios' management agreement.
- Interest income from deposits is recognized on time basis.
- Dividends income is recognized when right to receive payment is established.
- Operating rental income is recognized on a straight-line method during the contract period.
- Gain from sale of land and real estate is recognized on the completion of the sale contract these risks and rewards are transferred generally to the buyer on delivery.

2.3.9 Leases

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 recognized 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 recognized as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.3.10 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end are recognized in the consolidated 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 financial position presented are translated at the closing rate at the date of that financial position.
- Income and expenses for each the consolidated statement of income are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of equity.

2.3.11 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 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 risks

The activities of the Group expose it to a series of financial risks, 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 by focusing on a continuous evaluation of market conditions and its trends and the management's assessments of the changes for long and short-term market factors.

The Group relies on its internal sources to finance its activities.

Market risk

Foreign currency risk

Foreign exchange risk is the risk of fluctuation of the fair value or on cash flow of financial instruments resulting from the change in exchange rates of foreign currencies.

The Group is exposed to the foreign currency risk as a result from dealing in foreign currencies mainly in Egyptian Pound and U.S Dollar and Lebanese Lira. The foreign currency risk is resulted from the future transactions that take place on the Group's net investments in the foreign associates and subsidiaries with Egyptian Pound, Lebanese Lira and certain investments at fair value in US Dollar.

The Group's exposure to this risk is considered immaterial as the Group's total investments in foreign currencies are not considered material to the Group's total investments as a whole. Nevertheless, the Group monitors on a regular basis the movement of the foreign exchange rates against Kuwaiti Dinar to identify the effect on its financial statements and to take the necessary procedures.

Fair value risk

The fair value risk is the risk of fluctuation in value of financial instrument resulting from change in market price. The Group is exposed to the fair value risk arising from its investments classified in the consolidated financial statements as available for sale investments.

The Group is exposed to the risk of fluctuations in the value of equity instruments classified as investments available for sale and investments at fair value through profit or loss.

The Group manages this risk by monitoring the market prices on a regular basis by implementing a diversified strategy in its investments. The Group is attempting to concentrate its investments in real estate companies to minimize the risk of fluctuations in fair value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group does not have financial assets bear interest rates, the Group is not exposed to the risk of changes in the fair value of financial instruments, nor exposed to the risk of fluctuations in the cash flows as a result from the change in the interest rates as the Group does not have liabilities carry interest rates.

The Group is exposed to the risk of cash flows fluctuation resulting from changes of interest rates on deposits; the exposure of this risk is minimal as the maturities of deposits are short-term.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharges their contractual obligations.

Credit risk is managed by the level of the Group by monitoring credit policy on regular basis.

Credit risk is highly concentrated in cash and cash equivalents and due from related parties; The Group holds the cash and cash equivalents at entities and financial institutions with high credit reputation. The amount due from related parties is concentrated with the Company's major shareholder, which is a governmental body in the State of Kuwait and Real Estate Fund managed by the Group.

Liquidity risk

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining group of highly liquid financial investments. This facilitates to the Group, the availability of liquidity when needed. In addition, the Group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

All of the Group's liabilities are due within three months from the date of the consolidated financial statements.

3.2 Fair value estimation

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Notes to the Consolidated Financial Statements for the year ended 31 December 2012
(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

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

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

	2012		
	Level Two	Level Three	Total
Assets			
Investments available for sale	33	1,470	1,503
Investment at fair value through profit or loss	3,116	93	3,209
	3,149	1,563	4,712

	2011		
	Level Two	Level Three	Total
Assets			
	20	1,455	1,475
Investments available for sale	3,431	146	3,577
Investment at fair value through profit or loss	3,451	1,601	5,052

4. Critical accounting estimates and assumptions

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 a periodic basis. Revisions to accounting estimates are recognized 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.

Impairment of receivables

The Group reviews investments in debt instruments on a quarterly basis to assess whether a provision for impairment should be recorded in the statement of income. In particular,

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Evidence of impairment of investments

The Group determines "available for sale" equity investments as impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted equities and the future cash flows and the discount factors of unquoted equities. Impairment may be considered appropriate when there is evidence of deterioration in the financial position of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Impairment of associates

Estimation has been made for the existence of impairment of an associate while there is an indicator for this impairment. The Group has studied the carrying value of the Group's investments in associate including goodwill; accordingly, impairment in goodwill study is not prepared independently.

5. Cash and cash equivalents

	2012	2011
Time deposits and call accounts	1,756	1,513
Cash at banks and on hand	1,051	1,003
	2,807	2,516

Time deposits mature within three months from date of placement.

The effective interest rate on term deposits is 1.3% as of 31 December 2012 (1.6% as of 31 December 2011).

6. Investments at fair value through profit or loss

	2012	2011
Investments in real estate funds	2,129	2,183
Investments in money market funds	673	862
Investments in unquoted shares	407	532
	3,209	3,577

6.1 Investments at fair value through profit or loss are dominated into the following currencies:

	2012	2011
Kuwaiti Dinar	2,895	3,190
Other currencies	314	387
	3,209	3,577

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

6.2 The fair value of these investments is determined based on valuation techniques mentioned in note 3.2.

6.3 The Group's investments in money market funds represent an investment in a local fund, which has liquidity difficulties due to the impacts of the global and regional financial crisis. The fund's manager has suspended units redemption. Furthermore, neither the financial statements nor the net asset value of the fund were approved by the regulatory authorities. The fair value of such fund is amounted to KD 673 thousand as per the net asset value declared by the Fund manager.

7. Accounts receivables

	2012	2011
Trade receivables	408	404
Accrued revenues	117	65
Other receivables	354	133
	879	602
Provision for impairment	(671)	(500)
	208	102

The provision's movement is as follows:

	2012	2011
Balance at the beginning of the year	500	503
Provided during the year	171	-
Provisions no longer required	-	(3)
Balance at the end of the year	671	500

7.1 During the year, the Group has recorded impairment loss on certain other receivables of KD 100 thousand and represent the amount paid to increase the share capital of a Tunisian company pursuant to the supervisory authority's requirements. Such increase will be used to settle the company's liabilities for which has been recorded impairment during prior years.

7.2 During the year, the Group has made a provision of KD 64 thousand for certain other receivables. The Group is currently taking necessary legal procedures to collect such amounts.

8. Related parties transactions

This item represents transactions with the principle shareholder in Kuwait Real Estate Investment Consortium, the fund managed by the Group and Board members. The prices and settlement terms related to these transactions are approved by the Group's management.

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

	2012	2011
Transactions		
Management fees for principal shareholder's portfolio	160	163
Management fees of First Real Estate Fund	44	41
Rental income	120	129
Gain on sale of investment properties	14	14
Executive committee remuneration	30	48
Board of Directors' remuneration		

Balances due from the related parties as of 31 December:	2012	2011
Balances		
Kuwait Investment Authority	371	356
First Real Estate Fund	44	44
	415	400
Provision for doubtful debts	(45)	-
	370	400

Related parties transactions are subject to the approval of shareholders in the General Assembly.

9. Investments available for sale

	2012	2011
Local shares – unquoted	771	812
Foreign shares – unquoted	1,541	1,481
	2,312	2,293

9.1 The fair value of these investments is determined based on valuation techniques mentioned in note 3.2.

9.2 Investments available for sale as of 31 December 2012 include investments amounted to KD 809 thousand carried at cost – less impairment (KD 818 thousands as of 31 December 2011). Due to the difficulty of determining the reliable fair value of it. The management has not identified any indicators of impairment in these investments.

9.3 During the year ended 31 December 2012, the Group's management estimated impairment losses of available for sale investments amounted to KD 55 thousand as a result of continued decline in its fair value below cost (KD 506 as of 31 December 2011).

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

10. Investments in associates

	Country of incorporation	Ownership %	2011	2010
Arab Ceramic Company - Egyptian Shareholding Co.	Egypt	24.4	2,496	2,690
Arab Brick Company - Egyptian Shareholding Co.	Egypt	31.5	1	1
Financial Economic Development Company - Egyptian Shareholding Company	Egypt	23.8	1	1
			2,498	2,692

10.1 The Group's shares in the net assets and the results of operations of "Arab Ceramic Company – Egyptian Shareholding Company" have been recorded based on the latest available financial information reviewed by the auditor of this Company as of 30 September 2012. The fair value of the investment in associate is equivalent to KD 6,033 thousand as of 31 December 2012 (KD 6,638 thousand as of 31 December 2011).

10.2 The following is a summary of the financial information for the associate company as of 30 September 2012. the latest available financial for associate:

2012

Total Assets	Total Liabilities	Total Revenue	Net Profit
3,629	1,133	808	564

2011

Total Assets	Total Liabilities	Total Revenue	Net Profit
3,495	647	2,707	808

11. Investment properties

Investment properties are represented in residential buildings and commercial complexes in various areas in the State of Kuwait. The fair value of the investment properties amounted to KD 25.1 million as of 31 December 2012 (KD 25.2 million as of 31 December 2011) was determined based on external evaluator. The investment properties' movement is as follows:

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

	2012	2011
Opening balance	17,179	17,726
Additions	7	08
Disposals	-	(154)
Depreciation	(529)	(473)
Balance as of the end of the year	16,657	17,179

12. Accounts payables

	2012	2011
Employees end of service indemnity	1,558	1,431
Due to staff	381	692
Provision for claims	463	468
Other provisions	-	120
Customers advances	87	129
Other payables	348	360
Accrued expenses	55	115
Contribution to KFAS	9	7
Zakat	6	14
	2,907	3,336

All payables are in Kuwaiti Dinars as of 31 December 2012 and 2011.

13. Share capital

The issued and fully paid up capital is amounted to KD 10 million distributed over 100 million shares 100 fils per share, all shares are in cash.

14. Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association 10% of the net profit for the year before Kuwait Foundation for the Advancement of Sciences (KFAS), Board remuneration and Zakat expense is to be transferred to the statutory reserve. The shareholders may resolve to discontinue such annual transfers when the statutory reserve reaches half of the share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for the payment of a dividend of that amount. 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 shareholders.

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

15. Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the net profit before KFAS and Board remuneration and Zakat expense 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 by the Board of Directors. The Board of Directors proposed to transfer 10% of the net profit before KFAS, Board of Directors remuneration and Zakat to voluntary reserve.

16. Net rental income

	2012	2011
Rental revenues	1,473	1,268
Rental expenses	(89)	(59)
	1,384	1,209

17. Investments losses

	2012	2011
Investments available for sale:		
Cash dividend	38	25
Losses on sale	-	(10)
Impairment in value	(55)	(506)
	(17)	(491)
Investments at fair value through profit or loss:		
Cash dividend	71	71
(Loss) / gain from sale	6	(38)
Change in the fair value	(154)	141
	(77)	174
	(94)	(317)

18. Other income

	2012	2011
Provisions no longer required	120	444
Gains from valuation of properties for others	29	16
Interests income	23	33
Others	123	97
	295	590

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

19. Other expenses

	2012	2011
Rent	111	118
Maintenance expenses	21	25
Others expenses	86	95
	218	238

20. Staff cost

	2012	2011
Salaries and wages	612	638
Employees end of service indemnity	127	123
Accrued leave	97	99
Staff bonus	120	190
Social security and other staff benefits	108	130
	1,064	1,180

21. Board of Director's remuneration

The Company's Board of Directors proposed Board of Director's remuneration for the year ended 31 December 2012 amounted to KD 30 thousand which subject to the approval of the shareholders in the general assembly. This amount exceeds the maximum limit stipulated in Article No. (229) of Companies Law and Article No. (25) Of the Company's Articles' of Association.

22. Earnings per share

Earnings per share are calculated by dividing the net profit of the year by the weighted average number of outstanding shares during the year as follows:

	2012	2011
Net profit for the year (KD thousand)	183	701
Weighted average No. of outstanding shares (shares)	100,000,000	100,000,000
Earnings per share (fils)	1.83	7.01

23. Dividends

On 19 March 2012, the General Assembly of the company's shareholders has approved the financial statements of the Group for the year ended 31 December 2011 and approved cash dividends of 5% equivalent to KD 500 thousand.

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

On 10 March 2013, the Board of Directors have proposed not to distribute dividends for the year ended 31 December 2012. This proposal is subject to the approval of the shareholders' General Assembly.

24. Segment information

The Group is organized into business segments; real estate, investments and projects and maintenance management. Segments results are reported to senior executive management. Furthermore, Group's operating results, assets and liabilities are reported according to geographical areas in which the Group operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases followed in preparing the consolidated financial statements.

	Investment department		Real estate management		Projects & maintenance management		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenue	454	949	1,464	1,500	358	223	2,276	2,672
Segment results	41	347	148	403	31	22	220	772
Unallocated expenses							(37)	(71)
Net profit for the year							183	701

Geographical segment analysis

	Kuwait		Middle East (Except Kuwait)		Total	
	2012	2011	2012	2011	2012	2011
Total revenue	1,854	2,091	422	581	2,276	2,672
Total assets	23,494	23,967	6,112	6,341	29,606	30,308
Total liabilities	2,787	3,138	120	198	2,907	3,336

25. Contingent liabilities and commitments

	2012	2011
Bank guarantees	63	67

26. Fiduciary assets

The fiduciary assets have amounted KD 85,100 thousand as of 31 December 2012 (KD 83,351 thousand as of 31 December 2011).