SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

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FOR THE YEAR ENDED DECEMBER 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT

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Independent auditors' report

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Sultan Center Food Products Company - K.S.C. (Public)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sultan Center Food Products Company - K.S.C. (Public) - (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors consider 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 Sultan Center Food Products Company - K.S.C. (Public) as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 25 for the year 2012 and its amendments, Executive regulations, and the parent company's Articles of Association and Articles of Incorporation, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the financial year ended December 31, 2013 of either the Companies Law No. 25 for the year 2012 and its amendments, executive regulations, or the parent company's Articles of Association and Articles of Incorporation which might have materially affected the Group's financial position or results of its operations.

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Dr. Shuaib A. Shuaib
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State of Kuwait
March 30, 2014

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2013	2012
Current assets:			
Cash on hand and at banks		**6,896,370**	5,768,700
Accounts receivable and other debit balances	3	**14,758,959**	13,101,817
Due from related parties	4	**104,453**	581,879
Gross amount due from customers for contract work	5	**4,351,432**	2,153,302
Inventories	6	**25,098,214**	22,009,715
Total current assets		**51,209,428**	43,615,413
Investments available for sale	7	**6,858,430**	12,054,160
Investment in associates	8	**102,397,362**	99,188,244
Investment properties	9	**13,895,847**	13,859,903
Fixed assets	10	**89,925,472**	93,845,486
Other assets	11	**6,568,598**	7,753,974
Goodwill		**10,738,591**	10,738,591
Total assets		**281,593,728**	281,055,771
LIABILITIES AND EQUITY			
Current liabilities:			
Bank borrowings	12	**95,686,808**	100,679,200
Accounts payable and other credit balances	13	**104,502,073**	95,771,484
Due to related party	4	**297,813**	809,776
Murabaha payable	14	**22,385,000**	20,635,000
Gross amount due to customers for contract work	5	**79,943**	88,493
Total current liabilities		**222,951,637**	217,983,953
Bank borrowings – non current portion	12	**11,840,622**	14,445,132
Murabaha payable – non current portion	14	**1,700,000**	2,000,000
Provision for end of service indemnity	15	**5,611,581**	5,777,452
Total liabilities		**242,103,840**	240,206,537
Equity:			
Capital	16	**57,882,877**	57,882,877
Treasury shares	17	**(2,593,571)**	(2,593,571)
Revaluation surplus		**1,072,655**	1,072,655
Effect of change in other comprehensive income of associates		**(3,950,083)**	(1,879,149)
Cumulative changes in fair value		**162,253**	1,563,956
Foreign currency translation adjustments		**(1,350,766)**	(1,313,492)
Accumulated losses		**(12,271,532)**	(14,141,772)
Total equity attributable to Parent Company's shareholders		**38,951,833**	40,591,504
Non-controlling interests		**538,055**	257,730
Total equity		**39,489,888**	40,849,234
Total liabilities and equity		**281,593,728**	281,055,771

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

Ayman Sultan Al-Essa
Chairman and Group Managing Director

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Operating income :			
Sales		**241,236,598**	240,654,080
Contract revenue		**7,385,646**	4,545,605
Service contract revenue		**8,236,525**	8,147,529
		256,858,769	253,347,214
Operating cost :			
Cost of sales	20	**195,978,630**	195,835,337
Contract cost	21	**5,063,680**	2,755,791
Service contract cost	22	**7,627,546**	7,029,002
		208,669,856	205,620,130
Gross profit		**48,188,913**	47,727,084
Other operating income		**7,575,677**	7,845,768
Expenses and charges:			
General, administrative and selling expenses	23	**46,821,286**	46,655,005
Depreciation and amortization		**6,896,401**	8,688,341
Other provisions		**400,000**	-
Provision for doubtful debts	3	**76,803**	239,599
Provision for Inventories	6	**75,246**	97,200
Total expenses and charges		**54,269,736**	55,680,145
Operating income (loss)		**1,494,854**	(107,293)
Provisions no longer required	24	**2,824,982**	8,050,055
Net investment income	25	**2,617,120**	325,503
Group's share of results from associates	8	**5,262,668**	818,951
Changes in fair value of investment properties	9	**29,739**	2,261,477
Gain on sale of investment properties		**-**	1,262,112
Capital work in progress written off	10	**(2,459,068)**	(152,497)
Loss on disposal of fixed assets		**(146,442)**	(73,797)
Impairment loss	26	**(1,196,498)**	(3,805,728)
Finance charges		**(6,278,639)**	(8,381,300)
Net profit for the year		**2,148,716**	197,483
Attributable to :			
Parent company's shareholders		**2,159,768**	194,623
Non-controlling interests		**(11,052)**	2,860
Net profit for the year		**2,148,716**	197,483
Earnings per share attributable to parent company's shareholders (fils)	30	**3.83**	0.34

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Net profit for the year		**2,148,716**	197,483
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(35,425)**	(141,962)
Changes in fair value of investments available for sale	7	**636**	1,563,956
Reversal from changes in fair value due to sale of investments available for sale		**(1,402,339)**	-
Share of changes in other comprehensive income of associates	8	**(2,070,934)**	693,534
Other comprehensive (loss) income for the year		**(3,508,062)**	2,115,528
Total comprehensive (loss) income for the year		**(1,359,346)**	2,313,011
Attributable to:			
Parent company's shareholders		**(1,350,143)**	2,310,450
Non-controlling interests		**(9,203)**	2,561
Total comprehensive (loss) income for the year		**(1,359,346)**	2,313,011

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders												
	Capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Revaluation surplus	Effect of change in other comprehensive income of associates	Cumulative changes in fair value	Foreign currency translation adjustments	Accumulated losses	Subtotal	Non-controlling interests	Total
Balance as at December 31, 2011	57,882,877	4,543,220	(2,593,571)	13,407,108	13,407,108	1,100,731	(2,572,683)	-	(1,171,829)	(45,721,907)	38,281,054	255,169	38,536,223
Accumulated losses write off	-	(4,543,220)	-	(13,407,108)	(13,407,108)	-	-	-	-	31,357,436	-	-	-
Total comprehensive income (loss) for the year	-	-	-	-	-	-	693,534	1,563,956	(141,663)	194,623	2,310,450	2,561	2,313,011
Transferred from sale of investment properties	-	-	-	-	-	(28,076)	-	-	-	28,076	-	-	-
Balance as at December 31, 2012	57,882,877	-	(2,593,571)	-	-	1,072,655	(1,879,149)	1,563,956	(1,313,492)	(14,141,772)	40,591,504	257,730	40,849,234
Net movement on non-controlling interest	-	-	-	-	-	-	-	-	-	(289,528)	(289,528)	289,528	-
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(2,070,934)	(1,401,703)	(37,274)	2,159,768	(1,350,143)	(9,203)	(1,359,346)
Balance as at December 31, 2013	**57,882,877**	**-**	**(2,593,571)**	**-**	**-**	**1,072,655**	**(3,950,083)**	**162,253**	**(1,350,766)**	**(12,271,532)**	**38,951,833**	**538,055**	**39,489,888**

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	2013	2012
Cash flows from operating activities:		
Net profit for the year	**2,148,716**	197,483
Adjustments:		
Depreciation and amortization	**6,896,401**	8,688,341
Other provisions	**400,000**	-
Provision for doubtful debts	**76,803**	239,599
Provision for inventories	**75,246**	97,200
Provision for end of service indemnity	**1,227,216**	1,391,925
Provisions no longer required	**(2,824,982)**	(8,050,055)
Dividend income	**-**	(325,503)
Realized gain on sale of investment available for sale	**(2,617,120)**	-
Group's share of results from the associates	**(5,262,668)**	(818,951)
Changes in fair value of investment properties	**(29,739)**	(2,261,477)
Gain on sale of investment properties	**-**	(1,262,112)
Capital work in progress written off	**2,459,068**	152,497
Loss on disposal of fixed assets	**146,442**	73,797
Impairment loss	**1,196,498**	3,805,728
Finance charges	**6,278,639**	8,381,300
	10,170,520	10,309,772
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**(615,035)**	4,373,035
Due from related parties	**(504,574)**	(1,196,426)
Gross amount due from customers for contract work	**(2,198,130)**	210,943
Inventories	**(3,163,745)**	97,167
Accounts payable	**8,198,318**	2,919,866
Other credit balances	**1,513,181**	(2,279,163)
Due to related party	**(511,963)**	(1,474,212)
Gross amount due to customers for contract work	**(8,550)**	70,291
Cash generated from operations	**12,880,022**	13,031,273
Payment for end of service indemnity	**(1,393,087)**	(1,562,987)
Net cash generated from operating activities	**11,486,935**	11,468,286
Cash flows from investing activities:		
Paid for purchase of fixed assets	**(5,306,845)**	(5,050,869)
Proceeds from sale of investment properties	**-**	5,565,777
Proceeds from sale of fixed assets	**-**	720,582
Proceeds from sale of other assets	**-**	72,923
Paid for purchase of other assets	**(20,026)**	(12,106)
Proceeds from sale of investments available for sale	**7,393,147**	-
Dividend income received	**-**	325,503
Net cash generated from investing activities	**2,066,276**	1,621,810

	2013	2012
Cash flows from financing activities:		
Net movement in bank borrowings	(7,596,902)	(6,565,685)
Net movement in murabaha payable	1,450,000	(534,622)
Finance charges paid	(6,278,639)	(8,381,300)
Net cash used in financing activities	(12,425,541)	(15,481,607)
Net increase (decrease) in cash on hand and at banks	1,127,670	(2,391,511)
Cash on hand and at banks at the beginning of the year	5,768,700	8,160,211
Cash on hand and at banks at the end of the year	6,896,370	5,768,700

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

1. Incorporation and activities

Sultan Center Food Products Company - K.S.C. (Public) "the Parent Company" is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 1450 / W Vol 4 dated September 22, 1980 and registered in the Commercial register under Ref. No. 30225 dated April 1, 1993.

The Parent Company's principal activities consist of the following:

- Construction of central markets and associated rest areas and restaurants.
- Import, export and marketing of consumer goods.
- Manufacturing of food products.
- Investment in trade marks.
- The operation of retail supermarkets, restaurants, catering services, trading and the installation of telecommunication equipment.
- Trade in readymade garments and shoes, suits, accessories and gifts.
- To carry out the following in Kuwait or abroad:
    a) Investment in various industries through incorporation of companies or investing in existing companies, and dealing in securities of local and foreign companies
    b) Providing consulting and training services
    c) Managing the financial administrative and operational segments of companies
    d) Investing in real estate
- Investing the Group's excess funds in portfolios managed by specialized financial institutions.

The registered address of the Parent company is P.O. Box 26567 Safat, 13126 – State of Kuwait.

At December 31,2013, the Group had 10,130 employees (December 31, 2012 – 10,151 employees).

The Companies Law was issued on November 26, 2012 by the Decree No. 25 of 2012 (the "Companies Law"), and had cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended by the Law No. 97 of 2013. The Executive Charter of the new amended law was issued on September 29, 2013 and was published in the Official Gazette on October 6, 2013. As stated in article No. (3) of the Executive Charter, all companies have a grace period of one year from the Executive Charter's publication date to comply with the new amended law requirements.

The consolidated financial statements were authorized for issue by the Board of Directors on March 30, 2014. The Ordinary Shareholders' Annual General Assembly has the final authority to approve these consolidated financial statements and has the power to amend these consolidated financial statements after issuance.

2. Significant Accounting Policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990. Significant accounting policies are summarized as follows:

a) **Basis of Preparation**

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except for some available for sale investments and investment prosperities that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2013:

IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories

a) Items that will not be reclassified, subsequently to consolidated statement of profit or loss.
b) Items that may be reclassified to consolidated statement of profit or loss when specific conditions are met. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 16 Property, plant and equipment

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventories, otherwise if they meet definition of inventories as per IAS 2. The amendments are effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investments in associates and joint ventures.

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in other entities IAS 28 Investments in Associates has been renamed IAS 28 Investments in Associates and Joint Ventures and describes the application of the equity method to investments in Joint Ventures in addition to associates.

The revised standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 7 Offsetting financial assets and financial liabilities and related disclosures

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for annual periods beginning on or after January 1, 2013.

IFRS 10 Consolidated Financial Statements

The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. This standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

The new Standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures:

- In a joint operation, parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in the joint operation

- In a joint venture, parties have rights to the net assets of the arrangement. A joint venture applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of 'proportionate consolidation' is not permitted. IFRS is effective for annual periods beginning on or after January 1,2013

IFRS 12 Disclosure of Interests in Other Entities

The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. IFRS 12 is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

This IFRS

a) defines fair value
b) sets out in a single IFRS a framework for measuring fair value.
c) requires disclosures about fair value measurements.

IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value.

The new requirements are effective for annual periods beginning on or after 1 January 2013.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(y).

Standards and Interpretations issued but not effective

The following IASB Standards and Interpretations have been issued but are not yet effective, and have not yet been adopted by the Group:

Amendments to IAS 32 offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement". These are effective for annual periods beginning on or after January 1, 2014 these amendments are not expected to have any material impact on the consolidated financial statement.

IFRS 9 Financial Instruments:

The standard, which was earlier effective for annual periods beginning on or after January 1, 2015 and now deferred specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

b) Principles of consolidation

The consolidated financial statements include the financial statements of Sultan Center Food Products Company - K.S.C. (Public) (The Parent Company) and the following subsidiaries:

Subsidiaries	Country of incorporation	Percentage of holding % 2013	Percentage of holding % 2012
Brothers Holding Company – K.S.C. (Holding) and its subsidiaries	Kuwait	99	99
Sultan Center Trading and General Contracting Company – W.L.L. - and its subsidiaries	Kuwait	99	99
United Capital Group – K.S.C. (Closed) - and its subsidiaries	Kuwait	99	99
Gulf United Real Estate and Tourism Investment Company – K.S.C. (Closed) - and its subsidiaries	Kuwait	99	99
National Energy Company - K.S.C. (Closed)	Kuwait	99	99
Dalya Al-Wataniyah General Trading & Contracting Company – W.L.L.	Kuwait	99	99
Style Kuwait International Readymade Garments B & S Company – L.L.C.	U.A.E	99	99
Fresh Connection General Trading & Contracting Company - W.L.L.	Kuwait	99	99
Al-Mataba Al-Khalijia General Trading & Contracting Company – W.L.L.	Kuwait	99	99
Al-Noukhaza National General Trading & Contracting Company – W.L.L.	Kuwait	99	99
TS Kuwait General Trading & Contracting Company – W.L.L.	Kuwait	99	99
American Economics General Trading & Contracting Company – W.L.L.	Kuwait	99	99
Al-Thanaa Industrial Company – W.L.L.	Jordan	99	99
TSC Discount General Trading & Contracting Company – W.L.L.	Kuwait	99	99
C - Store General Trading & Contracting Company – W.L.L.	Kuwait	99	99
Specialty Fashion Group – E.S.C. – Egypt	Egypt	99	99

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee.
- has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements.
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the

original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities carried on the consolidated Statement of Financial Position include cash on hand and at banks, receivables, due from related parties, investments available for sale, bank borrowings, accounts payable, due to related party and murabaha payable.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

1. Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

2. Investments

The Group classifies its investments as investments available-for-sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized on settlement date – the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

After initial recognition, investments at fair value through profit or loss and investments available for sale are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method less any allowance for impairment. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in other comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

An investment (in whole or in part) is derecognised either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

3. Accounts payable

Accounts payables include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not , they are presented as non - current liabilities.

4. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates

5. Murabaha payable

Murabaha payable represents an agreement whereby the Group takes certain amount from another party, and use it according to specific conditions in return for certain fee (percentage of the amount used). Costs of Murabaha payable is accounted on a time proportion basis.

d) Gross amount due from (to) customers for contract work

Gross amount due from (to) customers for contract work represents the net amount of costs incurred plus recognized profits, less the sum of recognized losses and progress billings for all contracts in progress. Cost comprises direct materials, direct labor and an appropriate allocation of overheads. For contracts where progress billings exceed costs incurred plus recognized profit (less recognized losses), the excess is included under liabilities.

e) Inventories

Inventories are valued at the lower of average cost or net realizable value after providing allowance for any obsolete or slow moving items. Cost comprises direct materials, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in first-out or weighted average method for inventories at the warehouses and the retail method for certain inventories at the retail outlets based on the nature of the inventory. Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

f) <u>Associates</u>

Associates are those enterprises in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate.

The Group recognizes in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in 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 the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

g) Investment properties

Investment properties comprise completed property, property under construction or re-development held to eam rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

h) Fixed assets

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Fixed Assets are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment.
According to Board of Directors' decision dated December 18, 2013 the Group revised its estimated useful lives for buildings and plant and machinery as follows:

	Previous estimated useful lives years	Current estimated useful lives years
Buildings	20 – 25	40
Office equipment and computer	3 – 5	3 – 5
Furniture and fixtures	5	5
Vehicles	2 – 3	2 – 3
Plant and machinery	10	15

Certain fixed assets used in certain projects are depreciated over the period of the respective contracts.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

i) Franchise

Trademarks, licenses and Franchise are shown at historical cost. Franchise has a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of franchise over their estimated useful lives ranging from 3 to 20 years.

j) Key money

Key money is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of key money over their estimated useful lives ranging from 3 to 20 years.

k) Goodwill

Goodwill represents the excess of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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 on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates.

l) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.
If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in the consolidated statement of profit or loss.
Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39: Financial Instruments: Recognition and Measurement. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.
If the initial accounting for business combination is incomplete by the end of the reporting period is which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

m) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

n) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti, Lebanese, Bahraini, Emirati, Omani, Jordanian, Syrian and Egyptian Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

o) Share capital

Ordinary shares are classified as equity.

p) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's shareholders.

q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods
Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

Construction contracts
Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

Rendering of services
Revenue from service contracts is recognized when the service is rendered.

Interest income
Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized either as cash is collected or on a cost–recovery basis as conditions warrant.

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

Rent:
Rental income is recognized, when earned, on a time apportionment basis.

Gain on sale of investments
Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

r) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

Operating Lease

The Group as lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee
Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

s) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

u) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

v) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

w) Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

x) Dividend distribution

Dividend distribution to the parent company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the parent company's shareholders.

y) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(ii) Provision for doubtful debts and inventory

The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(iv) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through profit or loss", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. The Group classifies investments as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other investments are classified as "available for sale".

(v) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

(vi) Classification of Land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

(1) Investment properties

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

(vii) Application of IFRIC 15 – Agreements for the construction of real estate.

The determination whether the agreements within the scope of IAS 11 – Construction Contracts or IAS 18 – Revenue require significant judgment

Estimates and assumptions

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

(i) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated.
Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iii) Long term contracts

Revenue from long term contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

(iv) Provision for doubtful debts and inventory

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

(v) Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated statement of profit or loss. Two main methods were used to determine the fair value of the investment properties:

(a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

(b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

(vi) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Accounts receivable and other debit balances

	2013	2012
Trade receivables (a)	**4,328,856**	3,310,421
Contract receivables and retentions (a)	**4,016,357**	4,440,558
	8,345,213	7,750,979
Less: Provision for doubtful debts (b)	**(3,151,471)**	(4,375,662)
	5,193,742	3,375,317
Advance payments to suppliers and contractors and refundable deposits	**4,716,170**	4,997,743
Claim receivables	**372,973**	376,810
Staff receivables	**578,756**	954,233
Dividend receivables	**1,200,000**	1,301,700
Other receivables	**2,697,318**	2,096,014
	14,758,959	13,101,817

The fair values of accounts receivables and other debit balances approximated their carrying values as at December 31,2013.

(a) Trade receivables, contract receivables and retentions

Trade receivables, contract receivables and retentions are non-interest bearing. As at December 31, 2013 trade receivables, contract receivables and retentions amounting to KD 943,182 (2012 – Nil) were past due but not impaired. These balances are related to independent customers for whom there is no history of default.

The ageing of trade receivables, contract receivables and retentions is as follows:

		Past due but not impaired		
	Neither past due nor impaired	181 – 365 days	Impaired	Total
2013	**4,250,560**	**943,182**	**3,151,471**	**8,345,213**
2012	3,375,317	-	4,375,662	7,750,979

As of December 31, 2013, trade receivables, contract receivables and retention amounting to KD 3,151,471 (2012 – KD 4,375,662) were impaired and provided for.

(b) **Provision for doubtful debts**

The movement in the provision for doubtful debts is as follows:

	2013	2012
Balance at the beginning of the year	**4,375,662**	5,816,985
Provision for the year	**76,803**	239,599
Provision no longer required	**(1,118,910)**	(1,625,275)
Utilized during the year	**(182,084)**	(55,647)
Balance at the end of the year	**3,151,471**	4,375,662

(c) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Group does not hold any collateral as security, for accounts receivable and other debit balances..

4. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, board of directors, key management personnel, Companies under common control, associates and other related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management.

Significant related party balances and transactions are as follows:

Consolidated statement of financial position:	Major Shareholders	Associates	Companies under common control	**2013**	2012
Due from related parties	104,453	-	-	**104,453**	581,879
Due to related party	-	-	297,813	**297,813**	809,776
Dividend receivable	-	1,200,000	-	**1,200,000**	1,272,000
Consolidated statement of profit or loss:					
Rent	-	-	(1,480,552)	**(1,480,552)**	(1,553,734)
Other transactions with related parties					
Purchase of investment available for sale (Note 7)	982,000	-	-	**982,000**	3,260,121

Compensation to key management personnel:

	2013	2012
Salaries and other short-term benefits	**1,731,408**	1,641,229
Termination benefits	**126,515**	231,815
	1,857,923	1,873,044

5. Gross amount due from / to customers for contract work

	2013	2012
Contract costs incurred to date plus recognized profits less recognized losses	**15,772,988**	10,747,028
Progress billings	**(11,501,499)**	(8,682,219)
	4,271,489	2,064,809
Represented by:		
Gross amount due from customers for contract work	**4,351,432**	2,153,302
Gross amount due to customers for contract work	**(79,943)**	(88,493)
	4,271,489	2,064,809

6. Inventories

	2013	2012
Merchandise inventory	**24,735,083**	22,556,368
Other goods	**1,673,455**	933,021
	26,408,538	23,489,389
Provision for inventories (a)	**(1,310,324)**	(1,479,674)
	25,098,214	22,009,715

(a) **Provision for inventories**

The movement in the provision for inventories is as follows:

	2013	2012
Balance at the beginning of the year	**1,479,674**	5,312,608
Provision for the year	**75,246**	97,200
Provision no longer required	**-**	(3,742,612)
Utilized during the year	**(244,596)**	(187,522)
Balance at the end of the year	**1,310,324**	1,479,674

7. Investments available for sale

	2013	2012
Quoted equity securities	**6,970**	6,184,964
Unquoted equity securities	**6,851,460**	5,869,196
	6,858,430	12,054,160

The movement during the year is as follows:

	2013	2012
Balance at the beginning of the year	**12,054,160**	8,230,083
Additions	**982,000**	2,360,121
Disposals (a)	**(6,178,366)**	-
Changes in fair value	**636**	1,563,956
Impairment loss	**-**	(100,000)
Balance at the end of the year	**6,858,430**	12,054,160

(a) During the year ended December 31,2013 the group has sold investments available for sale with book value amounting KD 6,178,366 with selling price amounting KD 7,393,147 which resulted in realized gain amounting to KD 1,214,781

Investment available for sale with fair value amounting to KD 3,342,121 is registered in the name of a related party and there is waiver letter for it in favor of the group.

Investments available for sale are denominated in the following currencies:

Currency	2013	2012
Kuwaiti Dinar	**6,814,816**	12,010,546
US Dollar	**28,798**	28,798
UK Pounds	**14,816**	14,816
	6,858,430	12,054,160

It was not possible to reliably measure the fair value of unquoted investments amounting to KD 5,869,460 (2012 – KD 3,219,527), due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses.

8. Investment in associates

The investment in associates consists of the following:

Name of the associate	Country of Incorporation	Principal Activity	Ownership Percentage % 2013	Ownership Percentage % 2012	2013	2012
National Real Estate Company - K.S.C.	Kuwait	Real Estate	**30.98**	30.98	**82,257,918**	79,549,792
Jawad International Fashion - B.S.C.	Bahrain	Readymade garments	**30**	30	**5,234,664**	5,153,392
Riviera Holding Company - K.S.C. (Closed)	Kuwait	Real Estate	**40**	40	**1,899,212**	1,899,212
Alpha Energy Company- K.S.C. (Closed)	Kuwait	Oil and Energy	**20**	20	**7,952,015**	7,948,825
Al-Khureif United Holding Co. – K.S.C. (Holding)	Kuwait	Oil services	**24**	24	**4,933,553**	4,517,023
Kuwait Bulgarian Dairy Co. -W.L.L.	Kuwait	Dairy	**40**	40	**120,000**	120,000
					102,397,362	99,188,244

The movement during the year is as follows:

	2013	2012
Balance at the beginning of the year	**99,188,244**	97,724,638
Group's share of results from associates	**5,262,668**	818,951
Change in associates' equity	**(2,070,934)**	693,534
Foreign currency translation adjustments	**17,384**	(48,879)
Balance at the end of the year	**102,397,362**	99,188,244

The net movement in the associates' equity is as follows:

	2013	2012
Cumulative changes in fair value	**(27,200)**	(51,503)
Effect of changes in other comprehensive income of associates	**(969,287)**	(84,341)
Foreign currency translation adjustments	**(1,074,447)**	829,378
	(2,070,934)	693,534

The market value of the investment in National Real Estate Company K.S.C. (Public) as at the date of consolidated statement of financial position KD 40,257,126 (2012 – KD 31,277,466).

The Group has not accounted for its share of results from its associates Riviera Holding Company - K.S.C. (Closed) and Kuwait Bulgarian Diary Co. W.L.L. due to non-availability of their audited financial statements for the year ended December 31, 2013. Management expects that business results are not material.

Share of results from Jawad International Fashion - B.S.C. is based on management accounts for the year ended December 31, 2013

Summarized financial information for material associates are as follows:

National Real Estate Company - K.S.C. (Public)

Summarized statement of financial position

	2013	2012
Assets	522,031,570	512,652,936
Liabilities	(345,455,675)	(344,818,574)
Net Assets	176,575,895	167,834,362
Group's ownership percentage	30.98%	30.98%
Carrying value of National Real Estate Company - K.S.C. (Public)	54,703,212	51,995,085

Summarized Statement of profit or loss

	2013	2012
Revenue	17,679,675	12,684,416
Cost	(14,930,264)	(11,766,353)
Other expenses	(7,891,120)	(12,369,060)
Other income	20,487,866	19,282,612
Net profit	15,346,157	7,831,615
Dividend received	-	-

Jawad International Fashion - B.S.C.

Summarized statement of financial position

	2013	2012
Current assets	4,897,621	5,232,741
Non-current assets	3,895,521	3,718,174
Current liabilities	(2,490,243)	(2,879,952)
Non-current liabilities	(185,928)	(181,559)
Net Assets	6,116,971	5,889,404
Group's ownership percentage	30%	30%
Carrying value of Jawad International Fashion – B.S.C.	1,835,091	1,766,821

Summarized Statement of profit or loss

	2013	2012
Sales	17,212,757	14,652,441
Cost of sales	(9,849,653)	(7,798,537)
Other expenses	(7,158,027)	(6,667,283)
Other income	7,879	9,666
Net profit	212,956	196,287
Dividend received	-	-

Alpha Energy Company- K.S.C. (Closed)

Summarized statement of financial position

	2013	2012
Current assets	22,417,937	23,825,405
Non-current assets	66,074,251	88,637,621
Current liabilities	(11,474,103)	(37,227,606)
Non-current liabilities	(36,649,791)	(34,891,296)
Net Assets	40,368,294	40,344,124
Group's ownership percentage	20%	20%
Carrying value of Alpha Energy Company - K.S.C. (Closed)	8,073,659	8,068,825

Summarized Statement of profit or loss

	2013	2012
Sales	97,999,207	92,330,786
Cost of sales	(91,372,817)	(85,738,357)
Other expenses	(8,957,911)	(18,277,022)
Other income	2,476,018	2,464,104
Net profit (loss)	144,497	(9,220,489)
Dividend received	-	-

Al-Khureif United Holding Co. – K.S.C. (Holding)

Summarized statement of financial position

	2013	2012
Current assets	27,745,779	19,538,207
Non-current assets	5,780,213	4,942,439
Current liabilities	(6,966,961)	(4,437,073)
Non-current liabilities	(22,118,559)	(15,531,603)
Net Assets	4,440,472	4,511,970
Group's ownership percentage	24%	24%
Carrying value of Al-Khureif United Holding Co. - K.S.C. (Holding)	1,065,713	1,082,873

Summarized Statement of profit or loss

	2013	2012
Revenue	14,805,285	12,844,346
Cost	(9,789,916)	(8,942,540)
Other expenses	(3,309,413)	(2,738,988)
Other income	25,887	17,163
Net profit	1,731,843	1,179,981
Dividend received	-	-

9. Investment properties

	2013	2012
Balance at the beginning of the year	**13,859,903**	15,882,913
Changes in fair value	**29,739**	2,261,477
Disposals	**-**	(4,303,665)
Foreign currency translation adjustments	**6,205**	19,178
Balance at the end of the year	**13,895,847**	13,859,903

Investment properties with fair value amounting to KD 5,179,000 is registered on the name of the name of related party and there is a waiver letter in favor of the group.

The fair value of the Group's investment properties for the group as of December 31,2013 is based on the lowest valuation carried out by two independent valuers.

Management of the Group has complied with Capital Markets Authority decision dated July 23, 2012 with respect to guidelines for fair value of investment properties.

In estimating the fair value of investment properties, the Group had used discounted cash flow method and market sales method; considering the nature and usage of the investment properties.

Following is the description of valuation techniques used and key inputs to valuation:

Class of investment property	Valuation technique	Level 2	Total
Investment properties	Market sales method	13,895,847	13,895,847
		13,895,847	**13,895,847**

10. Fixed assets

	Freehold land	Buildings	Office equipment and computer	Furniture and fixtures	Vehicles	Plant and machinery	Capital work in progress	Total
Cost:								
At December 31, 2012	25,434,311	78,442,260	11,743,379	15,811,636	3,062,375	20,891,763	8,061,997	163,447,721
Additions	3,742	410,674	261,236	440,801	121,242	610,992	3,595,327	5,444,014
Disposals	-	(103,716)	(6,965)	(52,069)	(10,833)	(106,773)	-	(280,356)
Transferred from capital work in progress to fixed assets	-	1,205,599	130,540	262,761	136,920	248,237	(1,984,057)	-
Transferred from fixed assets to other assets	-	(385,000)	-	-	-	-	(15,000)	(400,000)
Capital work in progress written off	-	-	-	-	-	-	(2,459,068)	(2,459,068)
Foreign currency translation adjustments	22,823	63,402	5,000	14,249	1,513	13,707	5,762	126,456
At December 31, 2013	**25,460,876**	**79,633,219**	**12,133,190**	**16,477,378**	**3,311,217**	**21,657,926**	**7,204,961**	**165,878,767**
Accumulated depreciation:								
At December 31, 2012	-	34,065,708	8,083,343	10,836,503	2,439,382	14,177,299	-	69,602,235
Charge for the year	-	2,511,447	952,431	1,094,990	254,883	1,000,758	-	5,814,509
Related to disposals	-	(1,198)	(4,575)	(20,751)	(10,314)	(97,076)	-	(133,914)
Impairment loss	-	443,241	16,127	44,974	-	164,857	-	669,199
Foreign currency translation adjustments	-	963	34	103	-	166	-	1,266
At December 31, 2013	**-**	**37,020,161**	**9,047,360**	**11,955,819**	**2,683,951**	**15,246,004**	**-**	**75,953,295**
Net book value:								
At December 31, 2013	**25,460,876**	**42,613,058**	**3,085,830**	**4,521,559**	**627,266**	**6,411,922**	**7,204,961**	**89,925,472**
At December 31, 2012	25,434,311	44,376,552	3,660,036	4,975,133	622,993	6,714,464	8,061,997	93,845,486

The management had adjusted the estimated useful lives for buildings and plant and machinery based on the opinion of a professional independent evaluator which was approved by the board of directors. That resulted in decrease in the depreciation charged to the consolidated statement of profit or loss as follows:

	Amount
Total depreciation according to useful life before adjustment	6,815,758
Total depreciation according to useful life after adjustment	5,814,509
Effect of useful life adjustments	1,001,249

Freehold land with net book value of KD 10,796,295 is mortgaged against bank borrowings (Note 12)

11. Other assets

	Franchise	Key money	Total
Cost:			
At December 31, 2012	262,300	12,659,688	12,921,988
Additions	5,026	15,000	20,026
Transferred from fixed assets	-	400,000	400,000
Foreign currency translation adjustments	11	3,789	3,800
At December 31, 2013	**267,337**	**13,078,477**	**13,345,814**
Accumulated amortization:			
At December 31, 2012	59,577	5,108,437	5,168,014
Amortization for the year	4,461	1,077,431	1,081,892
Impairment loss	203,288	324,011	527,299
Foreign currency translation adjustments	11	-	11
At December 31, 2013	**267,337**	**6,509,879**	**6,777,216**
Net book value:			
At December 31, 2013	**-**	**6,568,598**	**6,568,598**
At December 31, 2012	202,723	7,551,251	7,753,974

12. Bank borrowings

	2013	2012
Current portion	**95,686,808**	100,679,200
Non-current portion	**11,840,622**	14,445,132
	107,527,430	115,124,332

Bank borrowings are granted by local banks and foreign banks for parent company and certain subsidiaries and are secured by corporate guarantee by the subsidiaries and the parent company and secured by mortgage of freehold land of the subsidiaries with net book value of KD 10,796,295.

The annual interest on the above bank borrowings is as follows:

Description	Currency	2013 %	2012 %
Weighted average annual interest rate over Central Bank of Kuwait discount rate	Kuwaiti Dinar	**1.5 – 2.5**	1.5 – 2.5
Weighted average annual interest rate	Jordanian Dinar	**7.5 – 8.75**	7.5 – 8.75
Weighted average annual interest rate over LIBOR rate	US Dollar	**1.5 – 2.5**	1.5 – 2.5
Weighted average annual interest rate	Omani Riyal	**5 – 6**	5 – 6

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

Currency	2013	2012
Kuwaiti Dinar	**72,639,787**	78,952,529
US Dollar	**29,335,835**	29,556,230
Jordanian Dinar	**5,464,808**	6,191,315
Omani Riyal	**87,000**	424,258
	107,527,430	115,124,332

13. Accounts payable and other credit balances

	2013	2012
Trade payable	**90,211,186**	82,150,037
Retentions payable to contractors	**621,437**	780,705
Leave and other employee accruals	**4,987,043**	4,579,213
Payable for purchase of fixed assets	**137,169**	-
Provision for legal case (a)	**1,000,000**	2,706,072
Other payables	**7,545,238**	5,555,457
	104,502,073	95,771,484

a) During the year ended December 31,2013 the group reversed provision for legal case no longer required amounting to KD 1,706,072 (Note 24) due to out of court settlement for balance due to one of the group subsidiaries.

14. Murabaha payable

	2013	2012
Murabaha payable	**24,225,608**	23,012,587
Deduct: Deferred murabaha cost	**(140,608)**	(377,587)
	24,085,000	22,635,000

Murabaha contracts according to maturity dates are as follows:

	2013	2012
Current portion	**22,385,000**	20,635,000
Non-current portion	**1,700,000**	2,000,000
	24,085,000	22,635,000

Murabaha payable are annual charges at 1% over the Inter Bank Offer Rate (IBOR) for currencies relating to amounts received and secured by corporate guarantee by a subsidiary and the parent company.

15. Provision for end of service indemnity

	2013	2012
Balance at the beginning of the year	**5,777,452**	5,948,514
Charge during the year	**1,227,216**	1,391,925
Paid during the year	**(1,393,087)**	(1,562,987)
Balance at the end of the year	**5,611,581**	5,777,452

16. Capital

Authorized, issued and paid-up capital amounted to KD 57,882,877 consist of 578,828,768 shares of nominal value 100 fils each and all shares are in cash.

17. Treasury shares

	2013	2012
Number of shares	14,272,535	14,272,535
Percentage of paid up shares	2.47%	2.47%
Market value (KD)	1,355,891	1,427,254
Cost (KD)	2,593,571	2,593,571

Due to the non availability of credit balances in retained earnings, reserves, share premium as of December 31,2013, the Company's management has not allotted any amount in relation to treasury shares balance as of the financial reporting date based on Capital Markets Authority resolution dated December 30, 2013.

18. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), contribution to Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. Due to accumulated losses, there was no transfer to statutory reserve.

19. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), contribution to Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. Due to accumulated losses, there was no transfer to voluntary reserve.

20. Cost of sales

	2013	2012
Beginning inventory	22,556,368	22,864,898
Purchases	198,157,345	195,526,807
Cost of goods available for sale	220,713,713	218,391,705
Ending inventory	(24,735,083)	(22,556,368)
	195,978,630	195,835,337

21. Contract cost

	2013	2012
Staff costs	953,427	964,992
Other operating	4,110,253	1,790,799
	5,063,680	2,755,791

22. Service contract cost

This represents the cost of security services which represent transportation of precious materials, security systems and institutions safeguarding and include staff cost amounting to KD 4,178,976 (2012 – KD 3,405,495).

23. General, administrative and selling expenses

General, administrative and selling expenses include staff costs amounting to KD 22,463,837 (2012 – KD 22,360,490).

24. Provisions no longer required

	2013	2012
Provision for doubtful debts no longer required	1,118,910	1,625,275
Provision for inventory no longer required	-	3,742,612
Provision for legal case no longer required (Note 13)	1,706,072	2,027,631
Other provisions no longer required	-	654,537
	2,824,982	8,050,055

25. Net investments income

	2013	2012
Realized gain from sale of investments available for sale	2,617,120	-
Dividend income	-	325,503
	2,617,120	325,503

26. Impairment loss

	2013	2012
Impairment loss for fixed assets	669,199	2,861,180
Impairment loss for other assets	527,299	844,548
Impairment loss for investments available for sale	-	100,000
	1,196,498	3,805,728

27. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. There is no contribution to KFAS due to accumulated losses.

28. Contribution to Zakat

Contribution to Zakat is calculated at 1% on the consolidated profit of the Company after deducting its share of profit from Kuwaiti shareholding associates & un-consolidated subsidiaries subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies subject to the same law in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations. No Zakat has been provided since there was no profit on which Zakat could be calculated.

29. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% on the consolidated profit of the Company after deducting its share of profit from listed associates & un-consolidated subsidiaries subject to the same law, also its share of NLST paid by listed subsidiaries subject to the same law and cash dividends received from listed companies subject to the same law in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations. No NLST has been provided since there was no profit on which NLST could be calculated.

30. Earnings per share attributable to the parent company's shareholders

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on weighted average number of shares outstanding during the year is as follows:

	2013	2012
Net profit for the year attributable to the parent company's shareholders	**2,159,768**	194,623
Number of shares outstanding:	**Shares**	Shares
Number of issued outstanding and fully paid shares at the beginning of the year	**578,828,768**	578,828,768
Less: Weighted average number of treasury shares	**(14,272,535)**	(14,272,535)
Weighted average number of shares outstanding	**564,556,233**	564,556,233
Earnings per share attributable to parent company's shareholders (fils)	**3.83**	0.34

31. Working capital

The Group's current liabilities exceed current assets by KD 171,742,209 (2012 – KD 174,368,540). The consolidated financial statements have been prepared assuming the Group will continue as a going concern. This assumption relies on the Group's management opinion that its lender financial institutions will renew the Group's outstanding borrowings on their respective due dates considering the Group's ability to generate cash inflows.

32. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, receivables, due from related parties, investments available for sale, bank borrowings, payables, Murabaha payable and due to related party and as a result, is exposed to the risks indicated below. The group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Group's profit through the impact on floating rate borrowings.

year	**Increase / (Decrease) in interest rate**	**Bank borrowings as at December 31**	**Effect on consolidated statement of profit or loss**
2013			
Bank Borrowings	**±50 basis points**	**107,527,430**	**±537,637**
Murabaha payable	**±50 basis points**	**24,085,000**	**±120,425**
2012			
Bank Borrowings	±50 basis points	115,124,332	±575,622
Murabaha payable	±50 basis points	22,635,000	±113,175

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks and receivables. The Group's cash at banks are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, receivables and due from related parties.

c) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between foreign currencies and Kuwaiti Dinar.

Year	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income
2013			
Bahraini Dinar	**± 5%**	**±2,251**	**±122,469**
Omani Riyal	**± 5%**	**±32,813**	**±267,856**
Emirates Dirham	**± 5%**	**±8,956**	**±262,852**
Jordanian Dinar	**± 5%**	**±8,560**	**±123,312**
Lebanese Lire	**± 5%**	**±339,394**	**±231,035**
Egyptian Pound	**± 5%**	**±1**	**±2,249**
2012			
Bahraini Dinar	± 5%	±7,372	±119,913
Omani Riyal	± 5%	±2,875	±234,414
Emirates Dirham	± 5%	±3,518	±253,237
Jordanian Dinar	± 5%	±13,553	±115,287
Lebanese Lire	± 5%	±508,651	±570,906
Egyptian Pound	± 5%	±740	±2,406

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in other investments that are readily realizable.

a) Maturity table for financial liabilities:

	2013				
Financial liabilities	**1 month**	**1-3 months**	**3-12 months**	**1-5 Years**	**Total**
Bank Borrowings	**-**	**-**	**95,686,808**	**11,840,622**	**107,527,430**
Accounts payable and other credit balances	**38,003,960**	**18,526,070**	**47,972,043**	**-**	**104,502,073**
Due to related party	**-**	**-**	**297,813**	**-**	**297,813**
Murabaha Payable	**-**	**-**	**22,385,000**	**1,700,000**	**24,085,000**
	38,003,960	**18,526,070**	**166,341,664**	**13,540,622**	**236,412,316**

	2012				
Financial liabilities	1 month	1-3 months	3-12 months	1-5 years	Total
Bank Borrowings	-	-	100,679,200	14,445,132	115,124,332
Accounts payable and other credit balances	25,149,201	18,516,926	52,105,357	-	95,771,484
Due to related party	-	-	809,776	-	809,776
Murabaha Payable	-	-	20,635,000	2,000,000	22,635,000
	25,149,201	18,516,926	174,229,333	16,445,132	234,340,592

b) The analysis of the Group's contingent liabilities and commitments by remaining contractual maturities was as follows:

	2013					
Contingent liabilities & commitments	**1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of guarantee	**408,717**	**3,832,379**	**4,475,134**	**3,851,753**	**-**	**12,567,983**
Letters of credit	**839,674**	**730,541**	**305,946**	**-**	**-**	**1,876,161**
Capital commitments	**-**	**-**	**174,255**	**6,150,678**	**18,911,100**	**25,236,033**
	1,248,391	**4,562,920**	**4,955,335**	**10,002,431**	**18,911,100**	**39,680,177**

	2012					
Contingent liabilities & commitments	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of guarantee	475,176	3,767,941	7,751,029	3,557,396	-	15,551,542
Letters of credit	398,305	1,263,869	688,669	-	-	2,350,843
Capital commitments	-	-	221,229	8,912,674	15,066,314	24,200,217
	873,481	5,031,810	8,660,927	12,470,070	15,066,314	42,102,602

e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as 'available for sale'.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of investments available for sale, to which the Group had none significant exposure at December 31,

	2013		2012	
Market indices	**Change in equity price**	**Effect on consolidated statement of comprehensive income**	Change in equity price	Effect on consolidated statement of comprehensive income
Kuwait Stock Exchange	**±5%**	**±349**	±5%	±309,248

Fair value measurement

The Group measures financial assets such as investments available for sale at fair value.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

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

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

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments available for sale	**6,970**	**-**	**982,000**	**988,970**
	6,970	**-**	**982,000**	**988,970**

	2012			
	Level 1	Level 2	Level 3	Total
Investments available for sale	6,184,964	289,548	2,360,121	8,834,633
	6,184,964	289,548	2,360,121	8,834,633

At December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note 7. The management of the Group has

assessed that fair value of cash and cash equivalents, receivables, due from related parties, due to related party and payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2 and Level 3.

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

33. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash on hand and at banks. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2013	2012
Bank borrowings	**107,527,430**	115,124,332
Murabaha payable	**24,085,000**	22,635,000
Less: Cash on hand and at banks	**(6,896,370)**	(5,768,700)
Net debt	**124,716,060**	131,990,632
Total equity	**39,489,888**	40,849,234
Total capital resources	**164,205,948**	172,839,866
Gearing Ratio	**%75.95**	76.37%

34. Contingent liabilities

At December 31, 2013, the group is contingently liable in respect of the following:

	2013	2012
Letters of guarantee	**12,567,983**	15,551,542
Letters of credit	**1,876,161**	2,350,843
	14,444,144	17,902,385

The Group's share of contingent liabilities of the associate are as follows:

a) Contingently liable in respect of the following:

	2013	2012
Letters of guarantee	**797,822**	775,423

The group share of major legal claims from associate is as follows:

1- As per the decision No. 507 in 2006, the Ministry of Commerce and Industry cancelled the management contract of Kuwait Free Trade Zone in the state of Kuwait, Shuwaikh port dated May 30, 1998 between the Ministry of Commerce and Industry and National Real Estate Company K.S.C (The managing company). Accordingly, the associate had recognized a provision amounting to KD 4,139,059 as a result of losing its control over the assets located in KFTZ.

   This provision was made on a conservative basis and not as surrender to the validity of the resolution.

   The associate had filed a lawsuit under Ref. 939/2006 for an appealing the decision of the Ministry of Commerce and Industry regarding cancellation of KFTZ management contract. On October 2, 2013 the Court denied the legal case. The Associate appealed that ruling in front of court of appeal under reference No. 2309/2013 administrative 4 which is still pending.

2- The associate had filed a legal case No. 277/2005 against Kuwait Ports Authority and a transport company claiming for the unpaid rent amount from their utilization of certain plots in Kuwait Free Trade Zone during management by the associate. The court of appeal in its session dated May 24, 2011 had confirmed the appealed ruling of the court of first instance obliging Kuwait Ports Authority and the transport company to jointly pay an amount of KD 2,155,098 to the associate for the areas and periods as mentioned in the court verdict. The associate had received the amount as stated in the Court ruling on October 11, 2011. Kuwait Ports Authority and the transport company again appealed that ruling in the Court of Cassation which is still Pending.

   This amount represents the portion of the rental income due from Kuwait Ports Authority which is recorded in the books of the associate. The associate previously recorded full provision for the total amount in its books. Provisions accounted earlier were not reversed for amount collected on conservative basis until a final ruling is to be issued which will not be appealed. Also the associate has raised a lawsuit against Kuwait Ports Authority to compensate her for the value of utilizing other sites in Kuwait Free Trade Zone; the court transferred the matter to experts department which is still under consideration till date.

3- The associate has certain properties constructed on land leased from the Government for 25 years. The Ministry of Treasury had issued a resolution to terminate those contracts after the expiry of this 25 years period. However, the associate appealed against this resolution claiming for the renewal of those contracts for another 25 years with the same terms. The Court of Cassation in its session dated June 30, 2009 had decided that the contracts of those properties are expired and the properties are to be handed over to the Ministry of Treasury and the Ministry had obtained possession of these properties from the associate on March 24, 2010, which would not have negative financial impact on its financial results as all necessary provisions in that regard are accounted in the records of the associate.

   Both the associate Company and Ministry of Treasury have raised lawsuits demanding compensation that may results regarding those real estates, such lawsuits are still under the consideration of the courts and experts department till date.

   In the opinion of the associate's external legal counsel, there is no ability to comment on the possible financial impact of neither the Court of Cassation's verdict nor the possible compensations which might result for either party. Taking that into consideration as well as the full provision recorded for those properties in the associate's records, the associate's management had decided that no additional provisions would be necessary to be recorded in the associate's records as at the date of consolidated financial statements.

4- The associate's books include amounts due from and to the Kuwait Ports Authority, where the amount due from Kuwait Ports Authority to associate amounted to KD 16,048,092 (2012 - KD 14,730,391), which represents rehabilitation costs for Kuwait Ports Authority properties in Kuwait Free Trade Zone, in addition to rents due for properties utilized by Kuwait Pots Authority in Kuwait Free Trade Zone in addition to interest on balance due from Kuwait Ports Authority amounted to KD 1,317,700 (2012 –KD 1,192,799), where the associate Company has fully provided for this interest. On the other hand balance due to Kuwait Ports Authority amounted to KD 2,146,467 (2012 - KD 2,146,467) which represents share of Kuwait Ports Authority in rental income collected from properties constructed and handed over from to Kuwait Free Trade Zone after deducting share relating to outstanding and unpaid rent of Kuwait Ports Authority for properties utilized, which will be refunded back to Kuwait Ports Authority in case of any settlement regarding those outstanding and unpaid rents.

As a result of the resolution issued by the Ministry of Commerce and Industry No. 507 / 2006 relating to the cancellation of management contract of Kuwait Free Trade Zone with the managing company, the managing company has fully provided for amount due from Kuwait Ports Authority on a conservative basis and not as surrender to the validity of the resolution.

5- An arbitration claim amounting to KD 7,248,330 was filed by one of the investors in Kuwait Free Trade Zone (KFTZ) during the associate Company's management for alleged damages and loss of profit. The arbitration procedures have been stopped due to appeals filed by the associate Company about certain documents presented in that case. The associate Company has taken the necessary legal actions to prove the counterfeit of those documents as well as the expert report was issued from an unlicensed expert. The report has concluded that the plaintiff is entitled for a compensation of KD 4,052,224 which was contested by the associate Company. The associate Company has filed a legal case requesting to cancel the arbitration dispute, and the Court of First Instance in its session held in November 4, 2012 ruled by denying that legal case.

The associate appealed on March 11,2013 that ruling in front of court of appeal which accepted the appeal formally and refused it to subject and upheld the appellant, the associate will appeal this ruling in Court of Cassation within the legal deadlines.

As per the opinion of the external legal counsel, the associate's legal position is very sound and defensible and the amount claimed by the plaintiff is unrealistic. In addition the plaintiff is not entitled for any compensation based on results of similar previous cases. Accordingly, no provisions were recorded for this case in the associate Company's records.

6- Two investors at KFTZ during the time it was managed by the associate raised a lawsuit against the associate in the capacity as the manager of KFTZ claiming financial compensation. On January 22, 2013 a first degree court verdict was issued revoke the lawsuit, both defendants appealed the verdict at court of appeal which was filed under Ref. 721,901 / 2012 civil/7. On March 19, 2013 the court of appeal ruled by denying the appealed verdict and obligated the associate to pay the appellants the sum of KD 393,446 and judicial expenses and attorney's fees. The associate appealed that ruling at Court of Cassation and the case has been reserved for the announcement of judgment decision on April 8, 2014. As per the opinion of the external legal counsel, the associate has a solid legal ground to win this case, however the associate has fully provided for that amount on a conservative basis and not as surrender to the validity of the opponent's right to claim the contingent liability.

In addition to the above there are other lawsuits raised by / against the associate, and in the opinion of the associate's external Legal counsel there will be no adverse material impact on the Group consolidated financial statements.

35. Capital commitments

One of the subsidiaries has entered into a 25 year agreement for the lease of land and another subsidiary has entered into a 22 year agreement for the lease of another land, also, one subsidiary enter into various operating lease agreements ranging from 2 – 15 years. Under the lease agreements, the subsidiaries are committed to pay annual lease rentals as follows:

	2013	2012
Less than 1 year	**174,255**	221,229
From 1 to 5 years	**6,150,678**	8,912,674
More than 5 years	**18,911,100**	15,066,314

The Group's share of capital commitments of the associate are as follows:

a) Capital commitments amounting to KD 3,092,922 (2012 - KD 156,112).

b) Commitments under a major non-cancelable operating lease, primarily for land leased from the Government of Kuwait for the Water Front Project as follows:

Year	Amount
2014 – 2018	**43,682**
2019	**8,736**
	52,418

For the operating lease commitments, the associate company is required to give a bank guarantee to Ministry of finance of 0.5% of the total value of the capital project concerned for the purpose of maintenance services.

36. Proposed dividends and General Assembly

Proposed Dividends

The Board of Directors' meeting held on March 30, 2014 proposed no dividend for the year ended December 31,2013. This recommendation is subject to the approval of the ordinary shareholders' annual General Assembly.

Shareholders' General Assembly

The Shareholders' Annual General Assembly held on May 16, 2013 approved not to distribute dividends for the year ended December 31,2012.

37. Segment information

	2013				
	Retail	**Investment**	**Contracting**	**Real Estate**	**Total**
Total revenue	**240,484,592**	**67,114**	**14,802,633**	**1,504,430**	**256,858,769**
Gross profit	**45,028,519**	**7,812**	**1,648,152**	**1,504,430**	**48,188,913**
Net (loss) profit for the year	**(3,315,692)**	**4,066,221**	**1,643,880**	**(245,693)**	**2,148,716**
Depreciation and amortization	**(5,955,416)**	**(155)**	**(165,364)**	**(775,466)**	**(6,896,401)**
Finance charges	**(1,952,395)**	**(3,635,379)**	**(113,273)**	**(577,592)**	**(6,278,639)**
Total assets	**122,774,883**	**110,870,513**	**11,759,169**	**36,189,163**	**281,593,728**
Total liabilities	**207,577,477**	**9,413,137**	**9,197,852**	**15,915,374**	**242,103,840**

	2012				
	Retail	Investment	Contracting	Real Estate	Total
Total revenue	239,498,064	60,851	12,125,903	1,662,396	253,347,214
Gross profit	44,616,906	2,995	1,874,587	1,232,596	47,727,084
Net (loss) profit for the year	(506,159)	(3,310,521)	904,757	3,109,406	197,483
Depreciation and amortization	(7,792,287)	(143)	(195,726)	(700,185)	(8,688,341)
Finance charges	(3,402,684)	(4,132,370)	(92,395)	(753,851)	(8,381,300)
Total assets	122,090,021	113,872,882	9,980,072	35,112,796	281,055,771
Total liabilities	205,352,772	10,550,035	8,277,689	16,026,041	240,206,537

38. Comparative figures

Certain comparative amounts for the previous year were reclassified to conform with the current year presentation, which has no impact on total equity and the Group's net profit.