‘‘In the Name of God
Most Gracious & Beneficent ,,

Kuwait Real Estate Holding K.S.C (Holding)
Al-Kharafi Tower - Al Qubla - Osama Bin - Monketh St.
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www.alaqaria.com

KRH العقارية AL AQARIA

الشركة الكويتية العقارية القابضة
Kuwait Real Estate Holding Company

His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince

His Highness
Sheikh Jaber Mubarak Al-Hamad Al-Sabah

Board of Directors

Mr. Mohammad Barrak Al-Mutair
Chairman

Mr. Abdulrahman Mahmoud Zaman
Vice Chairman

Mr.Naji Abdullah Al-Abdulhadi
Board Member

Mr.Nawaf bader alameam
Board Member

Mr. Feras Yousef Al-ghanem
Board Member

Mr.Meshale A. Al Nassar
Board Member

Executive Management

Mr. Tarek Ibrahim Al-Mansour
Deputy General Manager Investments Division

Mr. Sulaiman Ahmad Al-Houti
Manager Admin & Personnel Affairs

Mr. Mohammad Fahad Al-Nemah
Manager Direct Investments Department

Mr. Magdy Mahboub
Deputy Financial Manager

KRH Annual Report 2012

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Chairman's Message

Dear Valuable Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you Kuwait Real Estate Holding Company's (Alaqaria) annual report on as last year 2012 business results, in which we review the year's business results and development that have been prepared in accordance with international accounting standards applied in preparing the financial statements audited by the auditors.

Dear attendances,

The year 2012 constituted a distinct milestone in Kuwait Real Estate Holding Company's journey manifested in completing the company's restructuring and success of the restructuring plan as scheduled reflecting significant trust placed by the shareholders in the Company and its future.
The steps taken by Kuwait Real Estate Holding Company during the last year produced positive outcomes as the Company amortized the accumulated losses with view to attaining flexibility to explore new horizons. Loss amortization was accompanied by a successful capital increase process crowning the previous actions, which can be modestly described as reflecting a state of optimism towards Kuwait Real Estate Holding Company.

Kuwait Real Estate Holding Company's achieved a difficult equation in the period of global financial crisis by restructuring the capital and then attaining financial and management stability despite of the hard operation environment and continuity of global financial crisis repercussions over long time without any intervention by the government to remedy overall framework and structural imbalance in economic situation, which in turn affects the business environment in general, that we form a part thereof.

Valuable shareholders,

Thanks to Allah's grace, Board of Directors, through ongoing harmony and understanding between the executive management and all staff of the Company, could successfully pass the most difficult years of the crisis given the size of both internal and external challenges surrounding us in general including the political repercussions that deepened the financial crisis due to its serious impact on the government's procedures for offering mega projects, which have been significantly relied on to achieve qualitative move in Kuwaiti economy and serve as beam of hope for exiting downturn whirl.
Regarding liquidity levels in the market, there is still a state of tangible reservation with the banking sector and semi-refraining from providing finance. Credit growth rate is trivial for the fourth successive year since it doesn't exceed 2%. Central Bank of Kuwait's resolution is notable through decreasing the discount rate by 50 base points so that the interest rate becomes 2% in last October. It is evident that this step sought to stimulate loan growth and give the national economy a positive shock. However, given the nature of Kuwaiti economy, which largely relies on governmental spending and mega projects that were delayed due to political conditions, banks had no new opportunities and hence overall recession state continued.
In addition, changing the current situation of Kuwaiti economy requires resolution and firm will coupled with meaningful and clear-cut governmental vision based on time programs and plans that should continue to be implemented whether the government continues in power or is changed. Development, building and renaissance don't recognize short term plans; rather long term development plans.

Dear shareholders,

In line with difficult atmosphere covering the economy, the Company continued its diligent endeavors to control expenditures where it proceeded to cut expenses that would mitigate liabilities in a manner that might not affect business and operation plans.
We proceed with our plan as per available financial capabilities without venturing or encumbering the Company with unnecessary burdens in view of difficult and hard situation for investment and economy. Borrowing has been linked to real opportunity viability and ratio of its positive return. After several years since the crisis, there is no doubt that our approach and adoption of conservative policies proved to be sound.

Dear attendances,

Kuwait Real Estate Holding Company monitors the ultimate outcome of the situation in our beloved Kuwait and waits for the government's ability to implement its obligations of development projects in view of unprecedented huge financial surplus amounting to approximately K.D. 13 billion at the end of the fiscal year 2012 – 2013, which is assumed to launch economic boom and create unprecedented activity rise in which the government exploits the private sector efficiency to help the economy overcome the setback.
We, in Kuwait Real Estate Holding Company, are proud that the Company's credit record with local banks is clean and supported by mutual confidence enabling it to perform a leading development role, in particular the Company has a group of subsidiaries and associate companies in several sectors including but not limited to project management and implementation as well as international and regional alliances of these affiliates.
We can only grasp at hope and aspire a better tomorrow economically through which we look at the future with great optimism by Allah's willing.
In conclusion, I am pleased to extend, in the name of all of you, sincere thanks to His Highness the Amir of the State Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah and His Highness Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah; praying to Allah Almighty to maintain grace of security and safety for our beloved Kuwait.
I also extend thanks to our valuable shareholders for the trust they placed in the Board of Directors, and continuous support they provide and in turn, we renew our covenant to double our efforts to maintain the Company's potential and achievements.
I also extend thanks to my colleagues the members of Board of Directors and the board committees for their effort, contributions and support to the Company.
We are also committed to extend thanks to Sharia Board members for their blessed efforts. Board of Directors also expresses grateful thanks to the Company's employees for their dedicated efforts towards achieving the objectives of Kuwait Real Estate Holding Company.

Allah's peace, mercy and blessings be upon you,

Chairman,
Mohammad Barrak Al-Mutair

KRH AL AQARIA

Date: 04/04/2013

Fatwa & Shari'a Board Report
Kuwait Real Estate Holding Company

All praise and thanks be to Allah alone, Prayers and Peace be upon the last prophet and all his family and companions.

To: the Shareholders of Kuwait Real Estate Holding Company

Allah's peace, mercy and blessings be upon you.
We would like to inform you that we have audited the contracts and the transactions made by the company for the period from 01/01/2012 to 31/12/2012. Our responsibility is restricted to giving an independent opinion about the company's compliance with the provisions of Islamic Shari'a in its business and activities.
Based on Sharia audit report presented by Sharia Control Department, which conducted audit in accordance with the resolutions issued by the Board in light of standards and controls issued by Accounting & Audit Organization of Islamic Financial Institutions that require us to plan and implement audit and review procedures to obtain all necessary information, interpretations and representations to give a reasonable assurance that the company is in compliance with the provisions of Islamic Sharia as stated by us. We believe that audits carried out by the Department provide an appropriate basis to give reasonable opinion.
The compliance responsibility to implement contracts and transactions according to the provisions of Islamic Shari'a as set out by us shall reside with the company's management.

الشركة الكويتية العقارية القابضة ش.م.ك.ق
برج الخرافي – القبلة – شارع أسامة بن منقذ – ص.ب: ٢٦٣٧١ الصفاة ١٣١٢٤ الكويت
Kuwait Real Estate Holding Company K.S.H.C
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Based on the foregoing, the Board is of the opinion that:

1. During the specified period, the company has been in compliance with its obligations towards implementation of contracts and transactions in accordance with the provisions of Islamic Sharia as set out in Shari'a based opinions, guidelines and decisions issued by us during the specified period. No Sharia violations contrary to this opinion were found by us.

2. Calculation of Zakat was conducted according to the principles approved by the Board.

Allah's prayers and peace are upon our prophet Muhammad, his family and companions.

Members of Fatwa and Sharia Board

Member	Signature
Dr. Esam Khalaf Al Enzi (Chairman)	
Dr. Nazem Mohammed Al-Mesbah	
Dr. Suleiman Marafi Safar	
Dr. Khalid Shujaa Al-Otaibi	
Dr. Ibrahim Abdulla Al-Subaiaei	
Dr. Naif Mohammed Al-Ajmi	
Dr. Mohammed Ouad Al Fuzai'a	

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Independent auditors' report

Independent auditor's report
for the year ended
31 December 2012

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Ali Al-Salem Str., Thuwaini Bldg. 3rd Flr.
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Independent Auditors' Report to the Shareholders
Kuwait Real Estate Holding Company K.S.C (Holding)
State of Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Real Estate Holding Company K.S.C (Holding) ("the Parent Company") and its subsidiaries (together referred to as "the Group") which comprise of the consolidated financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. The management is also responsible for the internal control necessary for 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 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 the Group as at 31 December 2012, 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

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

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Barrak Al-Ateeqi
License No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International

Kuwait: 31 March 2013

Consolidated statement of financial position

Consolidated Statement of financial statements for the year ended
31 December 2012

KRH Annual Report 2012

Consolidated statement of financial position
As at 31 December 2012

Assets	Notes	2012 KD	2011 KD
Non-current assets			
Property, plant and equipment	5	306	899
Investment properties	6	20,598,971	21,001,199
Goodwill	7	920,348	
Investments in associates	8	2,405,032	6,532,180
Available for sale investments	9	23,066,629	12,533,729
		46,991,286	40,068,007
Current assets			
Spare parts and materials inventory		2,242	2,499
Receivables and other debit balances	10	1,197,461	2,327,549
Investments at fair value through profit or loss	11	1,764,433	3,101,541
Cash and cash equivalents	12	4,255,848	1,026,198
		7,219,984	6,457,787
Total assets		54,211,270	46,525,794

Equity and liabilities	Notes	2012 KD	2011 KD
Equity			
Share capital	13	19,103,898	31,500,000
Share Premium		830,286	-
Statutory reserve	14	1,452,034	1,532,115
Voluntary reserve	15	-	1,532,115
Treasury shares	16	(1,452,034)	(1,452,034)
Treasury shares profit reserve		46,038	46,038
Change in fair value reserve		1,723,748	1,109,279
Group's share in associate's reserves		-	(126,895)
Accumulated losses		(5,356,054)	(18,892,331)
Equity attributable to owners of the parent		16,347,916	15,248,287
Non-controlling interests		2,007,897	21,196
Total Equity		18,355,813	15,269,483

	Notes	2012 KD	2011 KD
Non-current liabilities			
Long-term Murabaha payable	17	7,848,035	8,055,875
Purchase of land payables		2,329,424	2,329,424
Provision for employees' end of service indemnity		437,921	404,847
		10,615,380	10,790,146
Current liabilities			
Payables and other credit balances	18	3,432,331	741,905
Short-term Murabaha payable	19	21,807,746	19,724,260
		25,240,077	20,466,165
Total liabilities		35,855,457	31,256,311
Total equity and liabilities		54,211,270	46,525,794

The accompanying notes on pages 27 to 55 form an integral part of these consolidated financial statements.

Mohammad Barrak Al-Mutair
Chairman

Consolidated statement of income
As at 31 December 2012

Income / loss	Notes	2012 KD	2011 KD
Net income from rent		228,566	210,113
Net losses from management and maintenance of third party properties		(36,407)	(35,582)
Net profits/(losses) from supervision contracts		6,930	(53,876)
Net losses from cleaning contracts		-	(41,004)
Unrealized losses on investments at fair value through profit or loss		(896,032)	(1,149,750)
Profits/(losses) from sale of available for sale investments		7,478	(86,836)
Profits from sale of investment at fair value through profit or loss		-	996,441
Loss on disposal of a subsidiary		-	(230,323)
Impairment losses on available for sale investments		(1,527,202)	(1,406,516)
Loss from impairment of unconsolidated subsidiary		-	(795,121)
Dividend		431,152	506,844
Change in fair value of investment properties		(402,228)	(3,209,728)
Profits from sale of investment properties		-	31,000
Amortization of projects in progress		-	(137,408)
Losses on disposal of equipments		-	(4,260)
Group's share of associates' business results		(836,497)	(1,172,098)
Foreign exchange differences		(21,974)	(36,136)
Provision no longer required		129,862	-
Other income		1,011	9,450
Net revenue from financial institutions		24,909	23,416
		(2,890,432)	(6,581,374)
Expenses and other charges			
Provision for doubtful debts		-	(696,984)
General and administrative expenses	20	(996,896)	(1,161,138)
Financing charges		(1,476,937)	(1,567,471)
		(2,473,833)	(3,425,593)
Net loss for the year		(5,364,265)	(10,006,967)
Attributable to:			
Owners of the Parent Company		(5,356,054)	(9,996,192)
Non-controlling interests		(8,211)	(10,775)
		(5,364,265)	(10,006,967)
Basic loss per share (Fils)	21	(36.66)	(32.40)

Consolidated statement of comprehensive income
As at 31 December 2012

	2012 KD	2011 KD
Net loss for the year	(5,364,265)	(10,006,967)
Other comprehensive revenues/(expenses) for the year		
Unrealized loss from available for sale investments	(912,733)	(2,026,699)
Transferred to statement of income from sale of available for sale investments	-	86,836
Impairment losses of available for sale investments	1,527,202	1,406,516
Group's share in associate' reserves	126,895	(543,286)
Total comprehensive revenues/(expenses) for the year	741,364	(1,076,633)
Total comprehensive losses for the year	(4,622,901)	(11,083,600)
Attributable to:		
Owners of the Parent Company	(4,614,690)	(11,072,825)
Non-controlling interests	(8,211)	(10,775)
	(4,622,901)	(11,083,600)

The accompanying notes on pages 27 to 55 form an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity
As at 31 December 2012

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares profit reserve	Change of fair value reserve	Group's share in associate's reserves	Accumulated losses	Equity attributable to owners of the parent	Non-controlling interests	Total Equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2011.	31,500,000		1,532,11	1,532,115	(1,452,034)	46,038	1,642,626	416,391	(8,896,139)	26,321,112	31,971	26,353,083
Total comprehensive income/(loss) for the year.							(533,347)	(543,286)	(9,996,192)	(11,072,825)	(10,775)	(11,083,600)
Balance as at 31 December 2011.	31,500,000		1,532,115	1,532,115	(1,452,034)	46,038	1,109,279	(126,895)	(18,892,331)	15,248,287	21,196	15,269,483
Balance as at 1 January 2012.	31,500,000		1,532,115	1,532,115	(1,452,034)	46,038	1,109,279	(126,895)	(18,892,331)	15,248,287	21,196	15,269,483
Total comprehensive losses for the year.							614,469	126,895	(5,356,054)	(4,614,690)	(8,211)	(4,622,901)
Extinguishment of accumulated losses.	(17,280,135)		(80,081)	(1,532,115)					18,892,331			
Capital increase.	4,884,033	830,286								5,714,319		5,714,319
Effect of consolidation of subsidiary.											1,994,912	1,994,912
Balance as at 31 December 2012.	19,103,898	830,286	1,452,034		(1,452,034)	46,038	1,723,748		(5,356,054)	16,347,916	2,007,897	18,355,813

The accompanying notes on pages 27 to 55 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
As at 31 December 2012

Operating activitiest	Notes	2012 KD	2011 KD
Net loss for the year		(5,364,265)	(10,006,967)
Adjustment for:		-	-
Depreciation		8,003	47,643
Unrealized losses on investments at fair value through profit or loss		896,032	1,149,750
Group's share of an associate results		836,497	1,172,098
(Profits)/losses from sale of available for sale investments		(7,478)	86,836
Impairment losses on available for sale investments		1,527,202	1,406,516
Change in fair value of investment properties		402,228	3,209,728
Gains on sale of investment properties		-	(31,000)
Amortization of projects in progress		-	137,408
Losses on sale of property, plant and equipment		-	4,260
(Reversal)/provision for doubtful debts		(129,862)	696,984
Cash dividends		(431,152)	(506,844)
Financing charges		1,476,937	1,567,471
Loss from impairment of unconsolidated subsidiary company		-	795,121
Loss on disposal of subsidiary		-	230,323
Provision for employees' end of service indemnity		60,963	118,097
		(724,895)	77,424
Changes in working capital:			
Spare parts and materials inventory		257	(2,494)
Receivables and other debit balances		2,020,617	(2,197,590)
Investments at fair value through profit or loss		1,022,541	1,079,711
Payables and other credit balances		(59,990)	2,994
Cash from operating activities		2,258,530	(1,039,955)
Employees' end of service indemnity, paid		(54,484)	(175,176)
Net cash from/(used in) operating activities		2,204,046	(1,215,131)

Investing activities		
Net movement in investment in associates	176,355	156,550
Payment for the acquisition of property, plant and equipment		(808)
Proceeds from disposal of investment property		2,890,587
Proceeds from disposal of a subsidiary		844,820
Net movement in available-for-sale investments	(92,731)	351,519
Proceeds from disposal of property, plant and equipment		31,500
Cash dividend received	431,152	506,844
Net cash from investing activities	514,776	4,781,012
Financing activities		
Murabaha payables	(2,623,976)	(4,591,072)
Net cash used in financing activities	(2,623,976)	(4,591,072)
Net increase/(decrease) in cash and cash equivalents	94,846	(1,025,191)
Cash from consolidation of an associate which became a subsidiary	3,134,804	287,450
Cash and cash equivalents at beginning of the year	1,026,198	1,763,939
Cash and cash equivalents at end of the year	4,255,848	1,026,198

The accompanying notes on pages 27 to 55 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
As at 31 December 2012

1. Incorporation and activities

Kuwait Real Estate Holding Company K.S.C (Holding) ("the Parent Company") is a closed Kuwaiti shareholding company incorporated on 19 January 1980 in accordance with the Commercial Companies Law in the State of Kuwait. The Company's share was listed on the Kuwait Stock Exchange on 12 April 2005.

The Parent Company's objectives:

- Acquisition of shares of Kuwaiti or foreign shareholding and limited liability companies as well as participation in those companies' incorporation, administration, lending and providing third party guarantees for these companies.

- Grant loans to the companies in which the Company holds shares, guarantees them before third parties and in this case the contributions ratio of the Company in the capital of the investee companies shall not be less than 20% minimum.

- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside Kuwait.

- Acquisition of movables and properties necessary for the Company to practice its activities pursuant to the limits prescribed by law.

- Utilization of the financial surpluses available with the Parent Company through investing the same in financial portfolios managed by specialized companies and entities.

The Parent Company shall, in conducting its business activities, comply with Noble Islamic Sharia principles.

The group comprises the Parent Company and its subsidiaries (together referred to as "the Group"). Details of subsidiary companies are set out in Note (3.3).

The address of the Company is P.O. Box 26371, Safat 13124, State of Kuwait.
The consolidated financial statements of Kuwait Real Estate Holding Company K.S.C (Holding) and its subsidiaries (the Group) for the year ended 31 December 2012 were authorized for issue by the Parent Company's board of directors on 31 March 2013 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the Annual General Assembly.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs).

2.1 New standards, interpretations and amendments not yet effective and not early adopted by the Group

IAS 27 Separate Financial Statements (as revised in 2011) (Effective for annual periods beginning on or after 1 January 2013)

The amended version of IAS 27 now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 Consolidated and Separate Financial Statements. The standard outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements.

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Notes to the consolidated financial statements
As at 31 December 2012

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) (Effective for annual periods beginning on or after 1 January 2013)

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 1 January 2013.

Amendments to IAS 32 'Financial instruments": Presentation on asset and liability offsetting (Effective for annual periods beginning on or after 1 January 2014)

These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014 and require retrospective application.

2.2 New standards, interpretations and amendments not yet effective and not early adopted (Continued)

Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2013)

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position.

The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and becomes effective for annual periods beginning on or after 1 January.

IFRS 9 'Financial instruments' (Effective for annual periods beginning on or after 1 January 2015)

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the group's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.
The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.
The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no earlier than the accounting period beginning on or after
1 January 2015.

IFRS 10 'Consolidated financial statements' (Effective for annual periods beginning on or after 1 January 2013).

The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and becomes effective for annual periods beginning on or after 1 January 2013.

2.2 New standards, interpretations and amendments not yet effective and not early adopted (Continued)

IFRS 11 'Joint Arrangements' (Effective for annual periods beginning on or after 1 January 2013)

The standard replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The Group is yet to assess IFRS 11's full impact and becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 'Disclosures of interests in other entities' (Effective for annual periods beginning on or after 1 January 2013).

The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13 'Fair value measurement' (Effective for annual periods beginning on or after 1 January 2013)

The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

Annual Improvements to IFRSs 2009-2011 (Effective for annual periods beginning on or after 1 January 2013).

IFRS 1 First-time Adoption of International Financial Reporting Standards.

This improvement clarifies that the Group that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, the Group must retrospectively restate its financial statements as if it had never stopped applying IFRS.

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IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

2.2 New standards, interpretations and amendments not yet effective and not early adopted (Continued)

IAS 16: Property, Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32: Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

3.1 Statement of compliance

The financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Companies Law.

On 29 November 2012, Companies Law No. 25 of 2012 was issued, and in accordance with Article No.2 of the new law, the Group is allowed to adopt the provisions of the law within a period of six months from its effective date.

3.2 Basis of preparation

These financial statements are presented in Kuwaiti Dinars ("KD") and are prepared under the historical cost convention, except for fair value measurement of investments classified by fair value through statement of income, available for sale investments and investment properties.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.3 Basis of consolidation

The consolidated financial statements comprise of the Parent Company and its subsidiaries drawn up to 31 December 2012 (see below). All subsidiaries have a reporting date of 31 December.

Subsidiaries are all entities over which the Parent Company has the power to control the financial and operating policies. 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.
The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of the companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated companies are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests' share in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling entity has a binding obligation and is able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over these companies are accounted for as equity transactions.

For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

3. Significant accounting policies (Continued)

3.3 Basis of consolidation (Continued)

Company name	Percentage of holdings		Country of incorporation	Company Objectives
	2012	2011		
Al Omran Real Estate Development Company K.S.C. (Closed)	96%	96%	State of Kuwait	Investment and development of real estates.
Time Line Project Management K.S.C. (Closed)	80%	80%	State of Kuwait	Project management & maintenance in Kuwait and abroad.
First National for Consulting K.S.C. (Closed)	99%	99%	State of Kuwait	Management consulting
Olive VFM Consulting -Kuwait K.S.C. (Closed).	99%	99%	State of Kuwait	Management consulting
National Vision for trading Co. W.L.L	99%	99%	State of Kuwait	General trading
Al-Fanar Investment Company K.S.C.C	83.43%	-	State of kuwait	Investment

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The total assets of subsidiaries amounted to KD 40,810,777 as at 31 December 2012 (31 December 2011: KD 25,159,527) and their total losses amounted to KD 1,161,089 for the year ended 31 December 2012 (31 December 2011: KD 4,613,058).

On 24 February 2011 the group sold Al-Oula Kuwaiti Cleaning Company K.S.C. (Closed) the subsidiary that was owned at 100% by the parent company. The financial statements of the sold subsidiary was consolidated till disposal date (24 February 2011).

The financial position of the subsidiary at the date of sale is as follows:

Assets	24 Febuary 2011 KD
Property, plant & equipment	(617,212)
Spare parts and materials inventory	(30,150)
Receivables and other debit balances	(997,648)
Due from related parties	(100,525)
Cash and cash equivalents	(5,180)
Total assets	(1,750,715)

3. Significant accounting policies (Continued)

3.3 Basis of consolidation (Continued)

Liabilities	24 Febuary 2011 KD
Provision for employees' end of service indemnity	325,256
Payables and other credit balances	345,136
Total liabilities	670,392
Net Assets	(1,080,323)
Corresponding amount received on disposal	850,000
Loss on disposal of subsidiary	(230,323)
Amount received on disposal	850,000
Cash and cash equivalents assigned amount	(5,180)
Proceeds from disposal of a subsidiary	844,820

3.4 Business combinations

Acquisitions of companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.
The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

3.4 Business combinations (Continued)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognize amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.
If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), 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.

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

3.5 Property, plant and equipment

Property, plant and equipment are stated in the consolidated financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the group's accounting policy (see finance costs policy 3.18). Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalized.The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in consolidated statement of income in the period in which they occur.

3.6 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at their cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value.

Investment properties are revalued annually and are included in the statement of financial position at their open market values. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

Any profit or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise.

3.7 Goodwill

Goodwill arising on an acquisition of a subsidiary or jointly controlled company represents the excess of the cost of the acquisition over the fair value of Company's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or jointly controlled company 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. 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 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 income any excess remaining after that remeasurement.

3.8 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in associate is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the associate, less any impairment in value and the consolidated statement of income reflects the group's share of the results of operations of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

3.8 Investment in associates (Continued)

All subsequent changes to the Group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes resulting from other comprehensive income of the associate or items recognised directly in the associate's or equity of the Group, as applicable.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

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3.9 Financial instruments

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, except for those financial assets and financial liabilities carried at fair value through statement of income, which are initially measured at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

3.9.1 Financial assets

Financial assets are classified into the following specified categories: 'investments at fair value through statement of income' (FVTSI), and 'available for sale investments' (AFS). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Investments at fair value through profit or loss
Investments are classified as at FVTSI where the financial asset is either held for trading or it is designated as at FVTSI. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; or (ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.
A financial asset, other than a financial asset held for trading, may be designated as at fair value through statement of income upon initial recognition if: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is valuated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about consolidation that is provided internally on that basis.

Financial assets at FVTSI are stated at fair value, with any resultant gain or loss recognized in the consolidated statement of income. The net gain or loss recognised in the consolidated statement of income incorporates any dividend or returns earned on the financial asset.

(ii) Available for sale investments
The Group's investments in equity securities are classified as available for sale investments and are stated at fair value. Fair value is determined in the manner described in note 24. Gains and losses arising from changes in fair value are recognised in the statement of 'other comprehensive income' and reported under fair value reserve in equity, except for impairment losses that are recognized directly in the statement of income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

3.9.2 Impairment of financial assets

Financial assets, other than those at fair value through statement of income, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

3.9 Financial instruments (Continued)

3.9.2 Impairment of financial assets (Continued)

For receivables and loans and advances, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of murabaha and receivables, where the carrying amount is reduced through the use of an allowance account.

When receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Changes in the carrying amount of the allowance account are recognized in the consolidated statement of income.

When an available for sale investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of available for sale investments, impairment losses previously recognised through the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

3.9.3 Financial liabilities

The Group's financial liabilities include murabaha payables, borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortized cost, except for financial liabilities held for trading or designated at fair value through statement of income, that are carried at fair value with gains or losses recognized in the statement of income.

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3.10 Inventories

Inventories, representing spare parts, are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the purchase of inventory. Net realizable value represents the estimated selling price less all completion costs necessary for the finalization of selling.

Spare parts are not intended for resale and are stated at cost after making allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value with an original maturity of three months or less, net of bank overdrafts.

3.12 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Profits and losses resulting from some financial instruments are recognized under reserves for available for sale investments.

Retained earnings / losses include all current and prior period retained earnings / losses.

Dividends are recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

3.13 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. 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 equity, (the "treasury shares profit 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 then reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the profit on sale of treasury shares 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.

3.14 Provision for employees' end of service indemnity

Provision is made for amounts payable to employees under the Kuwait labor law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the statement of financial position date, and approximates the present value of the final obligation.

3.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.16 Revenue recognition

Lease income is recognized on accrual basis, and the profit resulting from management and maintenance of third party properties, and construction and cleaning contracts is recognized on a time proportion basis according to the principles and rates stated in these contracts. Income from real estate investments is recognized on finalization of sale transaction and transfer of risks to the purchaser. Income from financial investments is recognized on finalization of sale transaction.
Dividend income, and yields from financial institutions other than those from investments in associates, are recognised at the time the right to receive payment is established.

Rental income is recognized on a straight-line basis over the term of the relevant lease.

3.17 Foreign currency translation

The consolidated financial statements are presented in currency (KD), which is also the functional currency of the Parent Company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than KD (the Group's presentation currency) are translated into KD upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period.

3.18 Financing costs

Financing costs primarily comprise costs on the Group's murabaha. Financing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other financing costs are expensed in the period in which they are incurred and are recognised in consolidated statement of income in the period in which they are incurred.

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4. Significant accounting judgments and estimation uncertainty

Accounting judgments
In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements.

Impairment of investments
The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Investment classification
Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, available for sale or held to maturity investments.

Financial investments at fair value are investments which are designated as held for trading investments and investments at fair value, at initial recognition, through consolidated statement of income on initial recognition.
Classification of investments as investments at The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.fair value through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, at initial recognition, they are classified as at fair value through statement of income. All other investments are classified as available for sale or as held to maturity.

Classification of investment property
The group decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate Lease income or for capital appreciation, or for undetermined future use.

4. Significant accounting judgments and estimation uncertainty (continued)

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the consolidated financial statements within the next financial year are discussed below:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following recent arm's length market transactions:
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

5. Property, plant and equipment

Company name	Vehicles KD	Office furniture and equipment KD	Total KD
Cost			
Balance at 31 December 2011	12,802	289,277	302,079
Additions from acquisition		146,041	146,041
Balance at 31 December 2012	12,802	435,318	448,120
Accumulated depreciation			
Balance at 31 December 2011	12,801	288,379	301,180
Transferred from acquisition		138,631	138,631
Charge for the year		8,003	8,003
Balance at 31 December 2012	12,801	435,013	447,814
Book value			
At 31 December 2012	1	305	306
At 31 December 2011	1	898	899
Annual depreciation rates	25-8%	20%	

6. Investment properties

	2012 KD	2011 KD
Balance at beginning of the year	21,001,199	27,280,972
Sales	-	(2,932,637)
Change in fair value	(402,228)	(3,209,728)
Projects in progress	-	(137,408)
Balance at end of the year	20,598,971	21,001,199

6. Investment properties(continued)

Investment properties were recognized at fair value determined based on independent valuers one of them is a local bank for local properties and independent valuers for properties outside Kuwait and the lower value was adopted to determine the fair value as at 31 December 2012.

The fair value of the properties was determined according to transactions done for similar properties known in the market because of the nature of the properties and availability of comparative data.

The investment properties by geographical location are as follows:
(discussed on the next page)

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	2012 KD	2011 KD
State of Kuwait	5,736,750	6,036,750
Kingdom of Bahrain	927,857	927,857
Sultanate of Oman	900,017	900,017
K.S.A	9,285,450	9,285,450
U.A.E	3,748,897	3,851,125
	20,598,971	21,001,199

7. Business combinations

During the period, the Group acquired 40.43% interest in Al-Fanar Investment K.S.C. (closed) (which was an associated owned at 43%) for KD 5,714,319. accordingly, Al-Fanar Investment K.S.C. (closed) became a subsidiary owned at 83.43% of KD 10,715,488. This combination resulted in goodwill of KD 920,348. The assets and liabilities and their data as at acquisition date are as follows:

Assets as at acquisition date:	KD
Cash in hand & at banks	3,134,804
Investments at fair value through profit or loss	581,465
Receivables and other debit balances	766,301
Available for sale investments	11,345,481
Investment in an associate	1,759,978
Property and equipment	1,776
Liabilities as at acquisition date:	-
Financing from third party	(3,022,685)
Payables and other credit balances	(2,750,473)
Provision for employees' end of service indemnity	(26,595)
Net assets	11,790,052
Non-controlling interests	(1,994,912)
Goodwill	920,348
Net Assets	10,715,488

Al-Fanar Investment Company K.S.C. (Closed) has become a subsidiary as of 11 November 2012. Currently the management determines the fair value of net assets acquired and allocates acquisition purchase accordingly.

The non-controlling interests have been carried at book value at acquisition date.

8. Investments in associates

Company name	Percentage of holdings % 2012	Percentage of holdings % 2011	2012 KD	2011 KD
Al-Fanar Investment Company K.S.C. (Closed)	-	43%	-	5,832,802
Olive VFM (holding B.S.C (closed)	24.5%	24.5%	629,251	699,378
Kuwaiti African Holding Company – T.S.C. (Holding)	50%	-	1,775,781	-
			2,405,032	6,532,180

The movement on investments in associates is as follows:

	2012 KD	2011 KD
Balance at the beginning of the year	6,532,180	8,347,564
Additions from acquisition during the year	1,775,781	-
Disposals	(5,066,432)	(100,000)
Group's share of associates results	(836,497)	(1,172,098)
Group's share in associate's reserves	-	(543,286)
Balance at the end of the year	2,405,032	6,532,180

The group's share in business results of Al-Fanar Investment Company K.S.C. (Closed) is recognized as per management account as at 10 November 2012.

The Group's share in Olive VFM (B.S.C Holding (closed)) is recognized based on audited financial statements as at 31 December 2011.

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Notes to the consolidated financial statements
As at 31 December 2012

The group's share in the assets, liabilities, revenues, and net profits of associates is as follows:-

Company name	Fair Value	Assets	Liabilities	Revenues	Share of business results
		KD	KD	KD	KD
31 December 2012					
Olive VFM (holding B.S.C (closed)	Unquoted	728,565	(99,314)	164,269	(105,373)
Kuwaiti African Holding Company – T.S.C. (Closed)	Unquoted	1,841,440	(65,659)	99,598	93,223
Al-Fanar Investment Company (K.S.C. (Closed)	Unquoted	-	-	394,542	(824,347)
		2,570,005	(164,973)	658,409	(836,497)
31 December 2011					
Olive VFM (holding B.S.C (closed)	Unquoted	753,812	54,434	32,743	(757,934)
Al-Fanar Investment Company (K.S.C. (Closed)	Unquoted	8,717,408	2,884,606	67,525	(414,164)
		9,471,220	2,939,040	100,268	(1,172,098)

9. Available for sale investments

	2012 KD	2011 KD
Investment in quoted local shares	4,927,282	4,476,993
Investment in unquoted local shares	15,422,759	5,234,299
Investment in quoted foreign shares	267,487	253,425
Investment in unquoted foreign shares	2,449,101	2,569,012
	23,066,629	12,533,729

The group's management recognized impairment losses in local and foreign unquoted investments of KD 1,527,202 as at 31 December 2012 resulting from the sharp decline in the fair value of these investments (31 December 2011: KD 1,406,516).

Available for sale investments include an amount of KD 1,586,655 representing an investment in the share capital of one of the major shareholders of the Parent Company "related party" (31 December 2011: KD 2,869,020).

Movement on available for sale investments represents:

	2012 KD	2011 KD
Balance at beginning of the year	12,533,729	15,048,359
Additions	11,504,467	357,523
Disposals	-	(795,878)
Change in fair value	555,635	(669,759)
Impairment on available for sale investments	(1,527,202)	(1,406,516)
	23,066,629	12,533,729

10. Receivables and other debit balances

	2012 KD	2011 KD
Trade receivables	1,726,939	1,761,159
Other receivables	267,259	711,624
Provision for doubtful debts	(856,210)	(986,072)
	1,137,988	1,486,711
Prepaid expenses	20,802	15,331
Due from employees	15,275	282,232
Accrued revenues	9,881	508,545
Refundable deposits	13,515	34,730
	1,197,461	2,327,549

Most trade receivables due from ministries and government bodies result from cleaning work contracts over a period from two to four years. The credit period agreed upon on in these contracts is 45 days. No interests or other charges are added to the overdue trade receivables .

Movement in provision for doubtful debts is as follows:

	2012 KD	2011 KD
Balance at beginning of the year	986,072	431,201
Provision created during the year	-	696,984
Write back of provision	(129,862)	(142,113)
Balance at end of the year	856,210	986,072

Notes to the consolidated financial statements
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11. Investments at fair value through profit or loss

	2012 KD	2011 KD
Quoted local financial portfolios	1,764,433	2,079,000
Foreign investments	-	1,022,541
	1,764,433	3,101,541

Certain investments at fair value through statement of income are in a related party and managed by another related party (note 19)

12. Cash and cash equivalentst

	2012 KD	2011 KD
Cash in hand and at financial institutions	1,663,859	643,865
Investment deposit	500,000	-
Cash at investment portfolios	69,493	74,161
Investment saving account	2,022,496	308,172
	4,255,848	1,026,198

A return on Company's saving account at 1.288 % is realized (2011: 1.153%) annually.

13. Share capital

On 7 June 2012 the Parent Company's extraordinary general assembly meeting approved the following resolutions:

Decrease of share capital of the accumulated losses amount of KD 17,280,135 after extinguishment from the voluntary reserve of KD 1,532,115 and KD 80,081 from the statutory reserve. This has been registered in the commercial register on 14 August 2012 where the share capital became KD 14,219,865.

Increase of share capital from KD 14,219,865 to KD 21,086,217. Cash increase of KD 6,866,352 through issue of 68,663,520 shares for subscription at par value of 100 fils and share premium of 17 fils after the current shareholders cede their rights in subscription priority in capital increase in favor of the shareholder of Al-Fanar Investment Company K.S.C. (Closed) (an associate) against sale of shares of Al-Fanar Investment Company K.S.C. (Closed) by its shareholders who expresses their desire for selling their share to Kuwait Real Estate Holding Company K.S.C Holding (parent company) and using sale proceeds in subscription in capital increase of the parent company paid as a lump sum and delegating the board of directors to set the terms and conditions for calling capital and dispose of share fractions.

48,840,331 shares of KD 4,884,033.100 at 100 fils per share were subscribed and share premium of KD 830,285.627 at 17 fils per share.

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Movement on the equity of the parent company's holders is as follows:

	Share capital KD	Share Premium KD	Statutory reserve KD	Voluntary reserve KD	Accumulated losses KD
Balance as at 31 December 2011	31,500,000	-	1,532,115	1,532,115	(18,892,331)
Reserves transfer	-	-	(80,081)	(1,532,115)	1,612,196
Balance after reserves transfer	31,500,000	-	1,452,034	-	(17,280,135)
Share capital decrease	(17,280,135)	-	-	-	17,280,135
Subscription in increase in share capital	4,884,033	830,286	-	-	-
Net loss for the year ended 31 December 2012	-	-	-	-	(5,356,054)
	19,103,898	830,286	1,452,034	-	(5,356,054)

14. Statutory reserve

In accordance with the Companies' Law, as amended, and the Parent Company's Articles of Association, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount. No transfer to statutory reserve was made because of the losses incurred.

15. Voluntary reserve

In accordance with the parent company's articles of association, a percentage is transferred to the voluntary reserves as proposed by the board and approved by the general assembly. This transfer was stopped by a resolution of the general assembly of shareholders based on a proposition from the board of directors. No transfer to voluntary reserve was made because of the losses incurred.

16. Treasury shares

	2012 KD	2011 KD
Number of shares (No's)	2,910,761	6,447,000
Percentage of issued shares (%)	2.05	2.05
Market value (KD)	126,618	248,209
Cost (KD)	1,452,034	1,452,034

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17. Murabaha payables

	2012 KD	2011 KD
Maturing within one year	21,807,746	19,724,260
Maturing after more than one year	7,848,035	8,055,875
	29,655,781	27,780,135

Murabaha payable is granted by local financial institutions against some investment properties (note 6) and available for sale investments (note 9). The average effective interest rate is 5% as at 31 December 2012 (31 December 2011: 6%)

18. Payables and other credit balances

	2012 KD	2011 KD
Trade payables	3,026,533	271,186
Accrued expenses and leave	148,019	135,555
Third party insurance	90,815	90,840
Other credit balances	166,964	244,324
	3,432,331	741,905

19. Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the group, and entities controlled or significantly influenced by such parties.

Pricing policies and terms of these transactions are approved by the Group's management. Related parties transactions are as follows:

Consolidated statement of financial position:	2012 KD	2011 KD
Investments at fair value through profit or loss	1,149,750	3,101,541
Available for sale investments	1,586,655	2,869,020
Consolidated statement of income		
Profits from a real estate portfolio	-	498,747
Dividends income	375,850	374,850
Senior management benefits and salaries	285,283	273,266
Portfolio management fees	995	1,510
Cleaning and maintenance contracts income	34,890	36,149
Finance charges	133,974	205,431

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20. General and administrative expenses

	2012 KD	2011 KD
Senior management benefits and salaries	285,283	273,266
Staff costs	460,084	512,933
Depreciation	8,003	1,615
Other	243,526	373,324
	996,896	1,161,138

21. Basic loss per share

Basic loss per share are calculated by dividing the net losses for the year attributable to the Parent Company owners by the weighted average number of ordinary shares outstanding during the year taking into account treasury shares, as follows:

	2012 KD	2011 KD
Net loss for the year attributable to the owners of the Parent Company (KD)	(5,356,054)	(9,996,192)
Weighted average number of shares outstanding (No's)	146,112,154	308,553,000
Loss per share (fils)	(36.66)	(32.40)

22. Segment reporting

Operating segments are identified on the basis of internal reports about the Group's components which are regularly reviewed by the chief operating decision maker in order to assess its performance. The management has classified the Group's products and services into the following operational segments according to the IFRS 8: Operating Segments":

22. Segment reporting (Continued)

- Real Estate Management
- Supervision Management
- Investment properties
- Financial investments
- Cleaning
- Other

The inter transactions between operating segments are priced at cost. Only the operating segments revenues from external clients are stated, whereas the inter transactions between these segments are excluded. The operating segments profit represents the profit realized from each segment without distributing the general and administrative expenses and other expenses according to the policy adopted in preparing and submitting the internal reports to the chairman and the managing director to take operating decision.

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Notes to the consolidated financial statements
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	Operating segments (losses)/revenues		Operating segments (losses)/profits	
	2012 KD	2011 KD	2012 KD	2011 KD
Real Estate Management	192,159	245,693	228,566	205,853
Supervision Management	36,000	25,000	6,930	(53,876)
Investment properties	24,102	42,000	(438,635)	(3,351,718)
Financial investments	949,244	1,293,477	(2,688,304)	(3,119,756)
Cleaning	-	244,086	-	(271,327)
	1,201,505	1,850,256	(2,891,443)	(6,590,824)
Other	1,486	10,650	1,011	9,450
	1,202,991	1,860,90	(2,890,432)	(6,581,374)
General and administrative expenses			(996,896)	(1,161,138)
Provision for doubtful debts			-	(696,984)
Financing charges			(1,476,937)	(1,567,471)
Net loss for the year			(5,364,265)	(10,006,967)

The following is the analysis of assets and liabilities of operating segments for the purposes of monitoring segment performance and allocation of resources among them:

	As at 31 December	
	2012 KD	2011 KD
Assets		
Real Estate Management	101,597	99,866
Supervision Management	139,751	128,251
Investment properties	21,201,148	22,463,118
Financial investments	32,768,774	23,834,559
	54,211,270	46,525,794

Segment reporting (Continued

	As at 31 December	
	2012 KD	2011 KD
Liabilities		
Real Estate Management	157,591	109,009
Supervision Management	27,146	22,272
Investment properties	12,344,195	13,456,159
Financial investments	23,326,525	17,668,871
	35,855,457	31,256,311

Geographical Segments:

	Assets		Losses	
	2012 KD	2011 KD	2012 KD	2011 KD
State of Kuwait	34,227,428	27,017,131	(2,645,083)	(4,005,302)
Outside the State of Kuwait	19,983,842	19,508,663	(246,349)	(2,576,072)
	54,211,270	46,525,794	(2,891,432)	(6,581,374)

23. Financial instruments

a) Capital risk management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, through the optimisation of the debt and equity balance so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.
The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or debt and or sell assets to reduce debt.

Consistent with the industry norm, the group monitors capital on the basis of percentage of borrowing rate, which is calculated by net borrowing value divided by total invested capital. Net debt is calculated as total borrowings (murabaha payables) less cash and cash equivalents. Total invested capital is calculated by total equity and net borrowing.

Gearing ratio:

	2012 KD	2011 KD
Murabaha payables	29,655,781	27,780,135
Cash and cash equivalents	(4,255,848)	(1,026,198)
Net lending	25,399,933	26,753,937
Equity attributable to owners of the parent	16,347,916	15,248,287
Capital invested	41,747,849	42,002,224
Gearing ratio	60.8%	3.76%

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23. Financial instruments (Continued)

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk are monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities and obtaining the suitable guarantees when appropriate. The maximum credit risk exposure is not materially different from the carrying values in the consolidated statement of financial position.

c) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consists principally of investments at fair value through statement of income and available for sale investments. The Group manages this risk by diversifying its investments on the basis of the pre- determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	2012			2011		
	Change in equity price	Effect on statement of income	Effect on statement of other comprehensive income	Change in equity price	Effect on statement of income	Effect on statement of other comprehensive income
	%	KD	KD	%	KD	KD
Investments at fair value through statement of income						
Kuwait	+5	88,222		+5	155,077	
Available for sale investments						
Kuwait	+5		1,153,331	+5		626,686

23. Financial instruments (Continued

d) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The management monitors the positions on a daily basis to ensure positions are maintained within established limits
The effect on profit (due to change in the fair value of net assets), as a result of change in currency rate, with all other variables held constant is shown below:

	2012 KD	2011 KD
Saudi Riyal	10,441,299	10,735,335
AED	4,629,572	4,088,022
United State Dollar	41,249	257,734
Qatar Riyal		2,473,932
Bahrain Dinar	1,195,342	1,845,300
Omani Riyal	943,617	900,017

Assuming an increase in foreign exchange by 5%, the statement of income shall be affected by an amount of KD 862,554 for the year ended 31 December 2012 (KD 1,015,017 for the year ended 31December 2011).

e) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the company periodically invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

As a result of decrease of current ratio, the Group has subsequently signed a credit limit agreement that allows rescheduling of short term financing (maturing within one year) for one year or more automatically with a return rate increase at 0.5% for each additional year .

The table on the next page summarises the maturity profile of the company's undiscounted financial liabilities based on contractual undiscounted repayment obligations.

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23. Financial instruments (Continued)

e) Liquidity risk(Continued)

31 December 2012	Within months	1 – 3 months	3-12 months	1 – 5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payables	11,095	53,750	21,742,901	7,848,035		29,655,781
Payables and other credit balances			3,432,331			3,432,331
Purchase of land payables				2,329,424		2,329,424
Provision for employees' end of service indemnity					437,921	437,921
Total liabilities	11,095	53,750	25,175,232	10,177,459	437,921	35,855,457

31 December 2011	Within months	1 – 3 months	3-12 months	1 – 5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payables	15,416	55,000	19,653,844	8,055,875		27,780,135
Payables and other credit balances			741,905			741,905
Purchase of land payables				2,329,424		2,329,424
Provision for employees' end of service indemnity					404,847	404,847
Total liabilities	15,416	55,000	20,395,749	10,385,299	404,847	31,256,311

f) Fair value of financial instruments

(i) Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows:

- The fair values of financial assets (quoted equity securities) with standard terms and e to quoted market prices.
- The fair values of financial assets (unquoted funds and bonds) are determined based on prices from observable current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with the acceptable pricing models.

(ii) Fair value measurements recognized in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

31 December 2012	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through profit or loss				
Shares in quoted financial portfolios	1,764,433			1,764,433
Available for sale investments				
Quoted equities	5,194,769			5,194,769
Unquoted equities			17,871,860	17,871,860
Total	6,959,202		17,871,860	24,831,062

31 December 2011	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through profit or loss				
Unquoted equities			1,022,541	1,022,541
Investment funds	2,079,000		-	2,079,000
Available for sale investments				
Quoted equities	4,730,418		-	4,730,418
Unquoted equities			7,803,311	7,803,311
Total	6,809,418		8,825,852	15,635,270

Assuming an increase in foreign exchange by 5%, the statement of income shall be affected by an amount of KD 862,554 for the year ended 31 December 2012 (KD 1,015,017 for the year ended 31December 2011).

24. Dividends

On 7 June 2012, the Parent Company's General Assembly of shareholders approved the financial statements for the year ended 31 December 2011 and not distributing dividends for the this financial year.

On 31 March 2012 the Parent Company's board of directors has proposed to the parent company's general assembly shareholders that will be held later not to distribute dividends for the year ended 31 December 2011.

25. Contingent commitments and liabilities

	2012 KD	2011 KD
Capital commitments		
Bank guarantees	1,468,340	1,715,139

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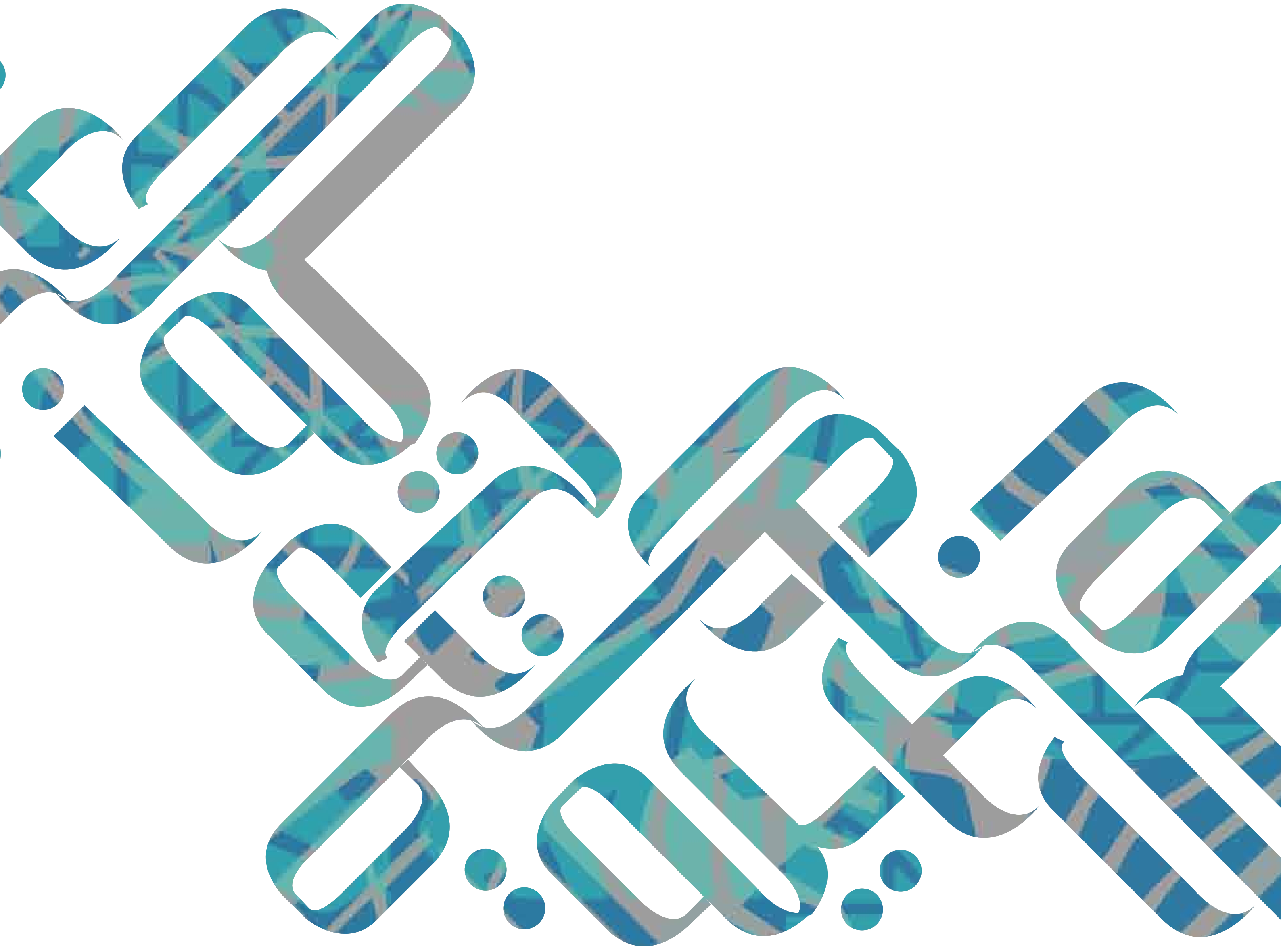
Kuwait Real Estate Holding Company



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