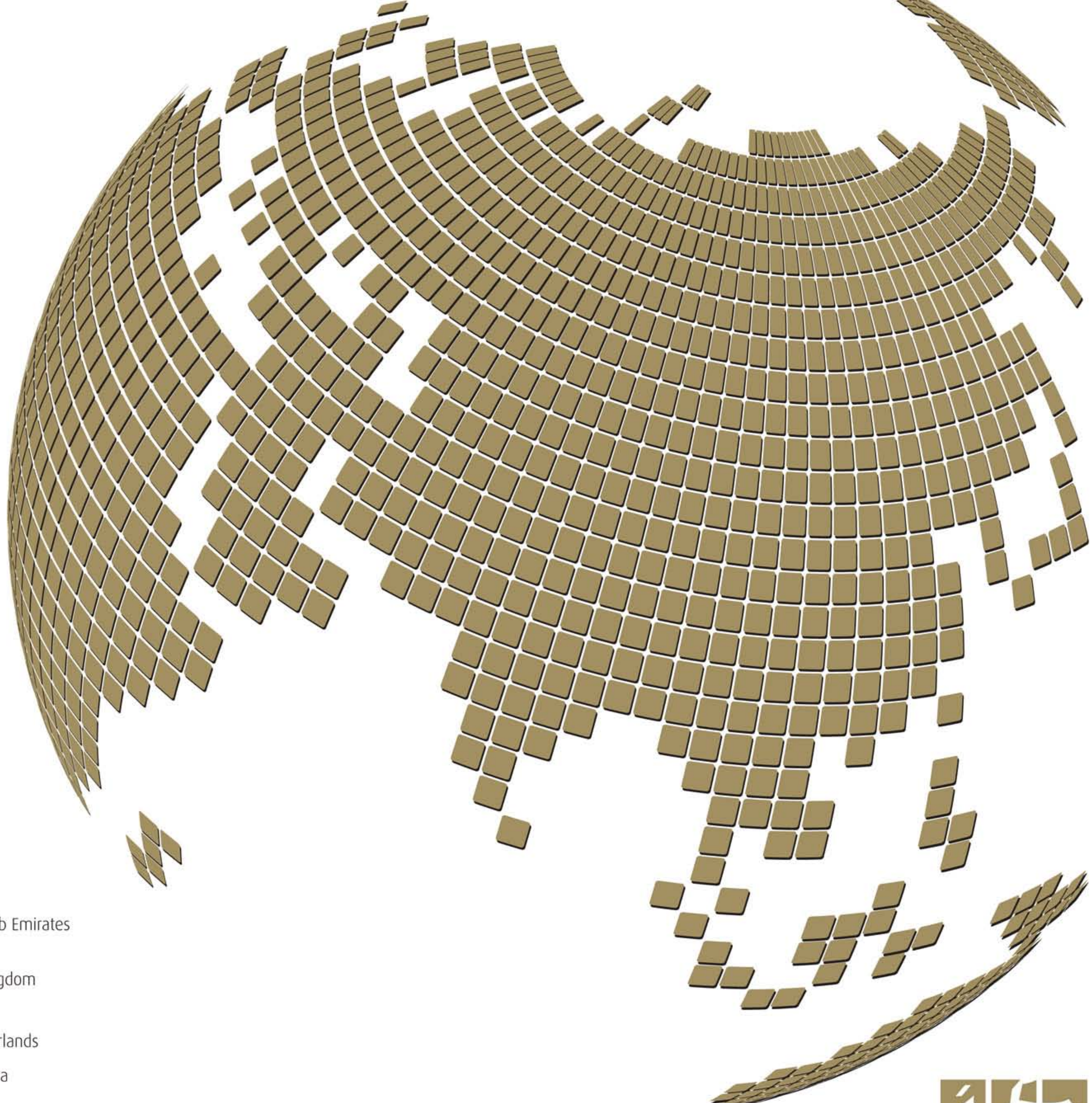


Annual Report 2012

Kuwait
United Arab Emirates
Lebanon

United Kingdom
Portugal
France
The Netherlands

South Africa
Tanzania
Seychelles

Thailand

United States of America

ifa
للفنادق والمنتجعات
HOTELS & RESORTS

www.ifahotelsresorts.com

Contents

Board Members	05
Message from the Chairman and Vice Chairman	06
Auditors' Report	20

H. H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
The Emir of the State of Kuwait

H. H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince of the State of Kuwait

IFA Hotels & Resorts a leading international developer of mixed-use resorts

Projects:

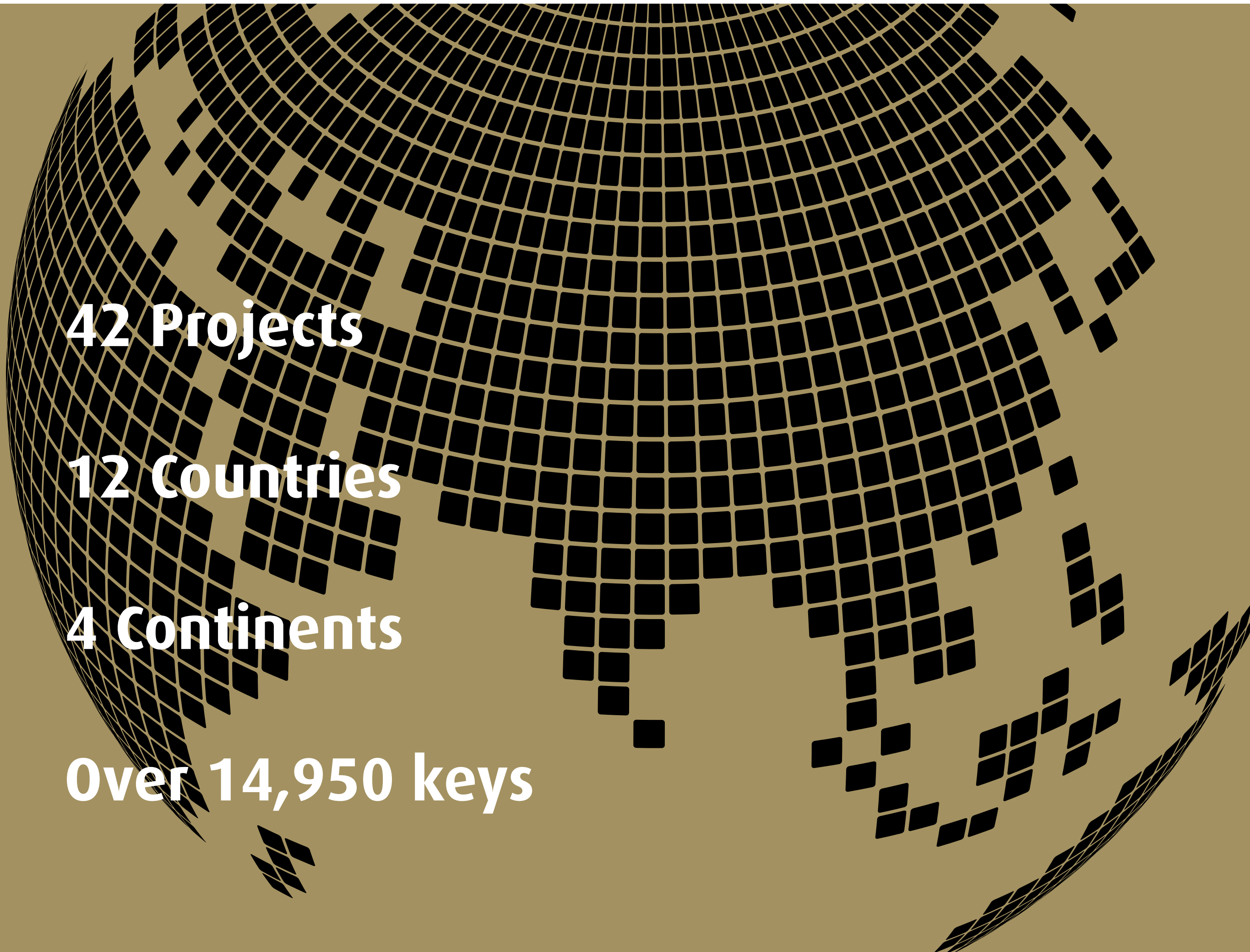
Middle East
Kingdom of Sheba, Palm Jumeirah, Dubai
Residences, Palm Jumeirah, Dubai
Fairmont The Palm, Dubai
Fairmont Heritage Place, The Palm, Dubai
Golden Mile, Palm Jumeirah, Dubai
The Palm Residence, Dubai
Laguna Tower, Dubai
Mövenpick Hotel Jumeirah Lakes Towers
Alabadiyah Hills, Lebanon
Four Seasons Hotel Beirut, Lebanon

Africa & Indian Ocean
Entabeni Private Game Reserve, South Africa
Fairmont Zimbali Lodge, South Africa
Fairmont Zimbali Resort, South Africa
Fairmont Heritage Place, Zimbali, South Africa
Zimbali Coastal Resort, South Africa
Zimbali Lakes Resort, South Africa
Zimbali Office Estate, South Africa
Legend Golf & Safari Resort, South Africa
Zanzibar Beach Hotel
Zebra Lodge, South Africa
Zilwa, Private Island Estate, Seychelles

Asia (Thailand)
Unixx South Pattaya
The River, Bangkok
The Lofts Yennakart, Bangkok
The Lakes, Bangkok
The Lofts Sathorn, Bangkok
The Legend Saladaeng, Bangkok
185 Rajadamri, Bangkok
Northpoint, Pattaya
Northshore, Pattaya
The Lofts Southshore, Pattaya
The Edge, Pattaya
The Heights, Phuket
Kata Gardens, Phuket
Amalfi, Phuket

Europe & North America
Pine Cliffs Resort, Portugal
YOTEL Schiphol, The Netherlands
YOTEL Heathrow, UK
YOTEL Gatwick, UK
YOTEL New York, USA

IFA Yacht Chartering
IFA 26M
IFA Cannes 27M



42 Projects

12 Countries

4 Continents

Over 14,950 keys

Board Members

Talal Jassim Al-Bahar – Chairman and CEO
Ibrahim Saleh Al-Therban – Vice Chairman
Abdulwahab Ahmad Al-Nakib – Member of the Board
Abeyya Ahmed Al-Qatami – Member of the Board
Werner Burger – Member of the Board
Emad Al Essa – Member of the Board

Message from the Chairman and Vice Chairman

Dear Shareholders, For the fiscal year 2012, IFA Hotels & Resorts recorded year end revenue of KD23.46million (US$83.33million), with net profits totalling KD2.98million (US$10.59million) which is 6.91 fils per share (2 cents per share). Shareholders' equity increased 6% to KD51.38million (US$182.53million) year on year, while the company's total assets also increased 6% to KD414.53million (US$1.5billion) compared to KD389.78million (US$1.4billion) for 2011.

Without a doubt, 2012 has been a year of forward planning for IFA Hotels & Resorts. Each strategic decision made this year has been made with an eye on the future and, we are happy to report, that the future looks very promising indeed.

We have restructured our assets to maximize efficiencies and freed capital for new strategic investments; enabling the company to respond quickly to rising opportunities in today's dynamic economy.

Dubai is a perfect example of this dynamism at work. Government and private sector sources alike agree that Dubai is definitely in its recovery phase following the global economic crisis, despite the continuing struggles of the EU and the USA. In fact, the government expects Dubai's economy to grow a further 4% in 2013, after achieving similar growth in 2012. All of this is having a positive impact on the emirate's residential property market which is due to reach just shy of 400,000 units by the end of 2013.

Private sector research shows robust growth heading into 2013 with average prices for high-end villas rising by 8.9% between the third quarter of 2012 and the first quarter of 2013. Similarly, the apartment segment has seen average price increases of 10% across both high and mid-range units.

As expected, the increasing value of property is having an impact on the market's rental rates as well, with high-end villas seeing extensive rental value increases averaging 9.7% between the third quarter of 2012 and the first quarter 2013. High-end apartment rents increased 6.4% across the same period.

Overall, the increase in confidence for the property sector is seeing new developments launched into the pipeline, including the announcement of a new Mohammed Bin Rashid City, as well as previously shelved projects coming back to life.

IFA Hotel Investments (IFA HI) continues to be the driving force behind IFA HR's growth strategy, playing an increasingly important role in the company and, in particular, in YOTEL's development. Our plans to open YOTELs in airport and city centre locations in North America and South East Asia, as well as Europe, will enable access to major travel gateways in those regions in terms of both corporate and leisure demand. This year will see the announcement of a YOTEL in Dubai.

To fuel this expansion, IFA HR and Kuwait Real Estate Company (KREC), as YOTEL's long-term equity partners, have partnered with The John Buck Company to raise a US$250 million discretionary private equity fund with the goal of acquiring and developing more than US$650 million worth of YOTEL hotels in select major U.S. cities over the next three to five years, including projects currently being reviewed in Boston and Chicago.

As more and more of our projects become operational – the most notable of which during 2012 was certainly the opening of our five-star Fairmont The Palm hotel in Dubai – IFA HI has cemented its role as one of the region's leading asset management companies. Given Fairmont The Palm's importance in the IFA HR portfolio, it would seem logical to start our regional round-up there.

The Middle East

December 15th, 2012 marked the day our first guests checked into our 381-room Fairmont The Palm hotel. The US$330million five-star beachfront property is the only operational resort located on the trunk of the Palm Jumeirah, making it one of the island's most accessible destinations. The hotel also contains Fairmont Heritage Place, The Palm – a private residence club located on the penthouse levels of the hotel offering deeded ownership in 1/13th fractions.

Based on its competitive set, we expect to see Fairmont The Palm command a premium of up to 70% versus city centre hotels. That figure takes into account the hotel's location, its 460-metres of beachfront, 2,200m² of meeting and conference facilities, 1,600m² spa, an array of amenities, seven food and beverage outlets and expected service levels.

These extensive offerings form part of a larger US$616million development that includes 562 luxury apartments (Residences The Palm, North and South), bringing the total number of keys in the development to 957. Featuring an imposing and highly visible façade, Fairmont The Palm is well positioned to capitalize on its proximity to key demand generators such as Dubai Media City, Internet City and the Palm Island community.

Fairmont The Palm signifies our first contribution to Dubai's hospitality landscape, but is soon to be followed by our second: Mövenpick Hotel Jumeirah Lakes Towers. Set to open in 2013, the hotel is located at the base of Laguna Tower within which the handover of our residential units is well underway. The transfer of units to owners is also underway in Alabadiyah Hills, our residential enclave in the Lebanese Lamartine Valley.

While much has happened in this region during 2012, we expect 2013 to be even more exciting with several announcements in the pipeline. Over the course of the year we will see the refinancing of Fairmont The Palm in hand, as well as the launch of a new freehold residential project on the company's 500,000sqft plot next to Kingdom of Sheba on the Palm's crescent. Plans are also underway on the expansion of YOTEL's global footprint with the hopes that we'll soon be ready to announce the finalization of an agreement to open a city-centre YOTEL in Dubai.

Developing new areas of the business will also see a major push this year with IFA Residential Services furthering its expansion in terms of the number of buildings it services. A Vacation Ownership Club, set to propel the expansion of timeshare in the region by providing Sharia compliant financing products on a global scale, is also in planning stages.

South Africa

In South Africa, the company built upon the strategies identified in 2011 to deal with the slow economic recovery that continues to challenge the African property and hospitality sectors. This included the sale of our interest in Boschendal, which has allowed us to focus our resources on two of our on-going projects.

We have also experienced a firming of demand in our hotel and lodging operations partly as a result of improved conferencing capabilities and our shift into Vacation Club sales, which included the extension of credit facilities to buyers.

After thorough consideration of the development options within Zimbali Lakes, a decision has been made to pursue the original development plan with slight modifications. The re-launch of this exciting development is planned for the coming year.

In Limpopo, performance of the Legend Golf & Safari Resort hotel operation and the Entabeni Private Game Reserve Lodges showed significant improvement, largely due the extension of the resort's conferencing facilities. Construction of show homes for the Vacation Club development also began this year; however, real estate sales remain a challenge due to current market conditions. Despite that, investors are confident in our strategic plans and we secured a five-year refinancing facility for the project. The new financial year will see us building on the strategies implemented over the past two years. With our renewed energy and focus on our mixed-use resort developments, our leisure market products and our hotel operations, we are anticipating an increase in activity during 2013.

South East Asia

Looking back on 2012 across South East Asia, there were several noteworthy highlights from Bangkok-based developer Raimon Land PLC in which IFA HR had a 24.9% shareholding.

The River, one of the company's best developments with 838 units, was completed and highly praised by homeowners whose expectations were largely exceeded by the final product. In Pattaya, an extremely successful auction for the company's highly sought Northpoint project – considered the forefront of beachside living – affirmed that the project has truly captured the imaginations of Pattaya-based homeowners. With unique services, including a Private Residence Club, Northpoint has become the preferred

Financial Year Results Ending December 31, 2012

Net Profit (KD)
2,979,773

Earning Per Share (Fils)
6.91

Currency	2011 KD	2012 KD
Total Income (Millions)	31,907,052	23,457,505
Shareholders' equity (Millions)	48,481,740	51,382,063
Net profit (Millions)	1,480,980	2,979,773
Earning Per Share (Fils)	3.43	6.91
Total Assets (Millions)	389,784,989	414,529,527

Net Profit (USD)
10,585,339

Earning Per Share (USD)
2 Cents

Currency	2011 USD	2012 USD
Total Income (Millions)	114,835,530	83,330,391
Shareholders' equity (Millions)	174,488,897	182,529,531
Net profit (Millions)	5,330,142	10,585,339
Earning Per Share (Cents)	1	2
Total Assets (Millions)	1,402,861,216	1,472,573,808

development model for Raimon Land's Unixx South Pattaya and Zire Wongamat projects. By deriving the technological innovations and architectural leaps that originated in Northpoint, the two new developments are destined to deliver a similar benchmark of quality in their own styles.

Lastly, 185 Rajadamri, in the heart of Bangkok, recently held a topping-off ceremony that marked the beginning of a prosperous journey for everyone involved. Overall, it was a very good year for Raimon Land PLC.

North America

The fiscal year 2012 marked the first full trading year of IFA HR's flagship project in North America; YOTEL in Times Square West, New York City. The 669-room hotel experienced tremendous success in terms of its operating metrics, building strongly on the first six months of operations in 2011. YOTEL NYC continues to build on its higher-yielding market segments such a direct business via yotel.com, corporate and group. In addition, it is operating at high Gross Operating Margins and is ranked in the top 12% of hotels in NYC on Trip Advisor, continuing to prove that affordable luxury is the future of the hotel sector.

Europe

In Europe, YOTEL continued to yield impressive results against a backdrop of economic uncertainty with the hotels generating an EBITDA improvement on 2011. The hotels at Heathrow, Gatwick and Schiphol again exhibited occupancy levels in excess of twice those of the competitive set and RevPAR penetration increased to between 150% and 250%.

Going forward

The focus for IFA HR going forward is on building a robust development pipeline in the Middle East and South Africa while still launching a diverse range of products including Vacation Ownership and Fractional. At the same time, YOTEL plays a pivotal role in the company's global pipeline plans.

Major development is also taking place in South Africa. Through the company's joint venture with Tongaat Hulett, IFA HR acquired a land bank within Zimbali Lakes, which it will use to build a mixed-use development including residential, commercial and hotel components. The project will be wholly owned by IFA Hotels & Resorts and is expected to launch mid-2013. At the Fairmont Zimbali Resort, a 100-room extension is being added to the property with completion scheduled for the end of the year.

By year end, the Middle East will contribute to the company pipeline with the launch of a stunning new development next to Kingdom of Sheba, as well as adding to our operational assets with the completion of Kingdom of Sheba elements and the opening of Mövenpick Hotel Jumeirah Lakes Towers.

Message from the Chairman and Vice Chairman (Continued)

IFA Hotel Investments

IFA HI has successfully brought to market and managed a diverse array of assets around the world from progressive, industry changing YOTELs to the luxurious five-star Fairmont The Palm in Dubai.

Much of the organic growth within the company is being driven through IFA HI via its stewardship over IFA Residential Services. IFA Residential Services began as building management services for our Fairmont Palm Residences and now, not only services third-party buildings, but has also diversified into security, transportation, technical services and the management of staff accommodation. This is an area of the business that we aim to grow even further this year by including new services and new products.

The Coming Year

As we move into 2013, our aim is to further strengthen our business relationships and build our project pipeline while still delivering our existing projects to the highest possible standards. We look forward to a great 2013 with our partners and employees; one that will see us increase our profitability and maximize shareholders' value.

Sincerely,

Talal Jassim Al-Bahar
Chairman & CEO

Ibrahim Saleh Al-Therban
Vice Chairman

Palm Jumeirah, Dubai

IFA Hotels & Resorts Middle East

Fairmont The Palm, Dubai
Residences The Palm, Dubai

Alabadiyah Hills, Lebanon

Kuwait
United Arab Emirates
Lebanon

Golden Mile, Palm Jumeirah, Dubai

Balqis Residences, Kingdom of Sheba, Dubai

Fairmont Heritage Place, Dubai

Golden Mile Retail, Palm Jumeirah, Dubai

Laguna Tower Lofts, Dubai

Four Seasons Hotel Beirut, Lebanon

Riva Beach, Palm Jumeirah, Dubai

Fairmont Zimbali Resort, South Africa

South Africa

Fairmont Zimbali Lodge, South Africa

Fairmont Zimbali Condominium, South Africa

Legend Golf & Safari Resort, South Africa

Zimbali Vacation Club, South Africa

Fairmont Heritage Place Zimbali, South Africa

Legend Golf & Safari Resort, South Africa

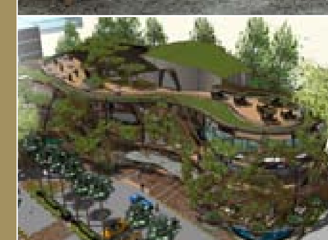
IFA Hotels & Resorts Asia

Unixx South Pattaya, Thailand

185 Rajadamri, Bangkok, Thailand

185 Rajadamri, Bangkok, Thailand

Thailand



The River, Bangkok, Thailand

The Vue, Bangkok, Thailand

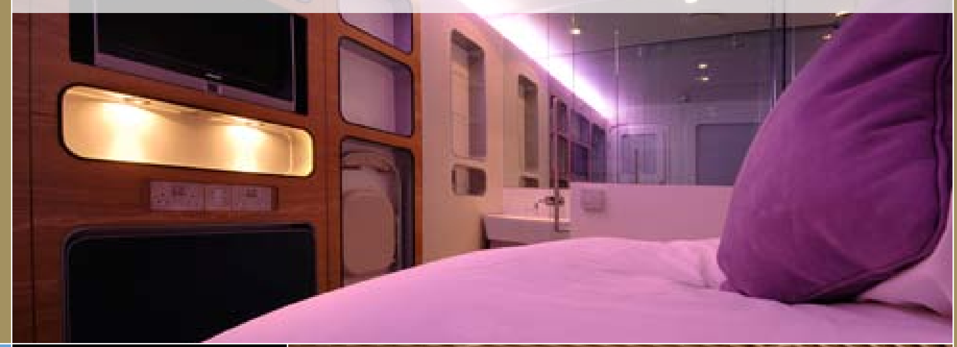
Northpoint Pattaya, Thailand

IFA Hotels & Resorts Europe & North America

YOTEL New York, USA

YOTEL New York, USA

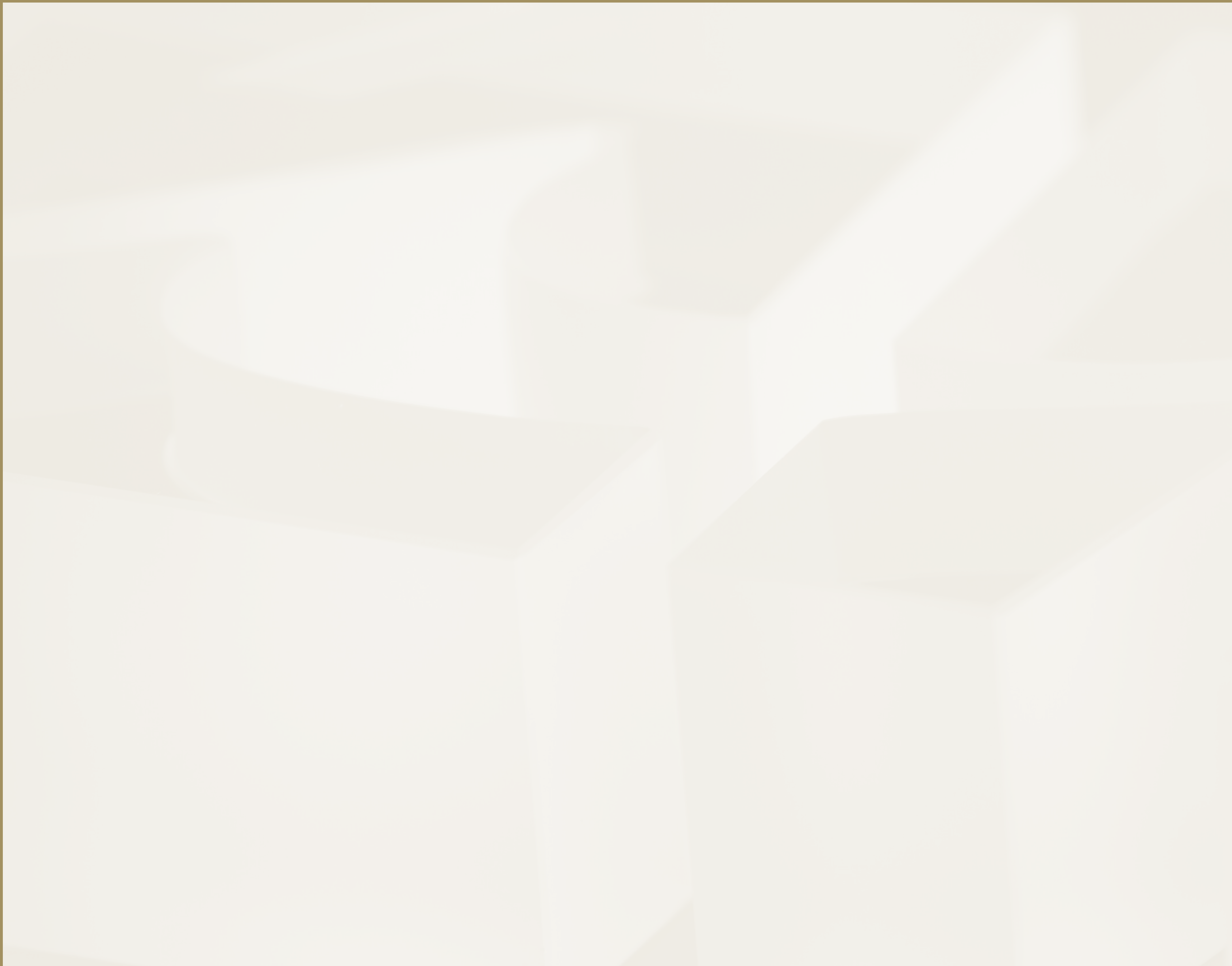
YOTEL, UK & Netherlands



Europe & North America

Pine Cliffs, Portugal

YOTEL New York, USA



CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
IFA HOTELS & RESORTS–KSC (CLOSED) AND SUBSIDIARIES

KUWAIT 31 DECEMBER 2012

Contents

Independent auditors' report	**20**
Consolidated statement of income	**21**
Consolidated statement of comprehensive income	**22**
Consolidated statement of financial position	**23**
Consolidated statement of changes in equity	**24**
Consolidated statement of cash flows	**25**
Notes to the consolidated financial statements	**26 - 69**

INDEPENDENT AUDITORS' REPORT

To the shareholders of
IFA Hotels & Resorts – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of IFA Hotels & Resorts (A Kuwaiti Closed Shareholding Company) and Subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012 and the related consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of IFA Hotels & Resorts – KSC (Closed) and Subsidiaries as at 31 December 2012, and their financial performance and 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, or of the Parent Company's articles of association, as amended, have occurred during the period ended 31 December 2012 that might have had a material effect on the business financial position of the Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami,
Al-Aiban & Partners

Ali A. Al Hasawi
(Licence No. 30-A)
of Rödl Middle East
Burgan – International Accountants

Kuwait
31 March 2013

CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 Dec 2012 KD	For the period from 1 July 2010 to 31 Dec 2011 KD
Revenue	8	**17,512,935**	43,034,352
Cost of revenue		**(11,366,765)**	(22,963,457)
Net income		**6,146,170**	20,070,895
Net income from ticket sale and related services		**115,327**	192,652
Fees and commission income		**184,588**	638,770
Changes in fair value of investment properties	17	**19,885,741**	5,093,484
Gain/(loss) on disposal of investment properties	17	**924**	(354,938)
Realised gain on investments at fair value through profit or loss	18b	**869,540**	-
Realised gain from disposal of available for sale investments		**-**	719,667
Share of results of associates		**-**	(303,191)
Loss on disposal of associate	19	**(188,932)**	-
Impairment in value of associates	19	**(3,216,178)**	(4,172,464)
Impairment in value of available for sale investments	20a	**(125,519)**	(600,139)
Impairment in value of receivable and other assets	21b	**(764,883)**	(720,907)
Impairment in value of properties under development	22b	**(990,727)**	-
Gain on partial disposal of asset classified as held for sale	18a	**2,099,914**	-
Interest income	9	**747,270**	1,365,961
Other income	10	**(1,305,730)**	9,977,262
		23,457,505	31,907,052
Expenses and other charges			
Staff costs		**4,216,603**	7,326,541
Real estate sales and marketing expenses		**688,815**	1,079,945
Other operating expenses and charges	11	**8,060,813**	9,434,911
Depreciation	15	**1,816,417**	3,427,076
Finance costs	12	**5,610,766**	11,570,102
Total expenses and other charges		**20,393,414**	32,838,575
Profit/(loss) before taxation, KFAS, NLST and Zakat		**3,064,091**	(931,523)
Tax (expense)/income relating to overseas subsidiaries	13	**(629,040)**	1,238,266
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(28,052)**	(13,963)
Provision for National Labour Support Tax (NLST)		**(77,923)**	(40,485)
Provision for Zakat		**(31,169)**	(16,014)
Profit for the year/period		**2,297,907**	236,281
Attributable to:			
Owners of the Parent Company		**2,979,773**	1,480,980
Non-controlling interests		**(681,866)**	(1,244,699)
		2,297,907	236,281
Basic and diluted earnings per share attributable to the owners of the Parent Company	14	**6.91 Fils**	3.43 Fils

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 Dec 2012 KD	For the period from 1 July 2010 to 31 Dec 2011 KD
Profit for the year/period	2,297,907	236,281
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	660,314	(3,441,404)
Available for sale investments		
- Net changes in fair value arising during the year/period	(125,519)	(510,016)
- Transferred to consolidated statement of income on impairment	125,519	600,139
- Transferred to consolidated statement of income on sale	-	(225,307)
Total other comprehensive income for the year/period	660,314	(3,576,588)
Total comprehensive income for the year/period	2,958,221	(3,340,307)
Attributable to:		
Owners of the Parent Company	3,434,664	(2,043,462)
Non-controlling interests	(476,443)	(1,296,845)
	2,958,221	(3,340,307)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2012 KD	31 Dec 2011 KD
Assets			
Non-current assets			
Goodwill		**232,035**	234,088
Property, plant and equipment	15	**29,660,481**	31,382,895
Capital work-in-progress	16	**109,224,720**	103,680,584
Investment properties	17	**56,408,226**	27,170,955
Properties under development	22	**101,978,023**	95,976,538
Investment in associates	19	**8,145,144**	14,019,884
Available for sale investments	20	**6,726,650**	6,106,494
Total non-current assets		**312,375,279**	278,571,438
Current assets			
Accounts receivable and other assets	21	**30,241,034**	35,680,569
Properties under development	22	**53,911,913**	51,088,831
Trading properties	23	**5,048,231**	5,683,759
Cash and cash equivalents	24	**4,875,894**	6,633,809
		94,077,072	99,086,968
Assets classified as held for sale	18	**8,077,176**	12,126,583
Total current assets		**102,154,248**	111,213,551
Total assets		**414,529,527**	389,784,989
Equity and Liabilities			
Equity			
Equity attributable to the owners of the Parent Company			
Share capital	25	**45,388,200**	45,388,200
Treasury shares	26	**(16,672,644)**	(16,138,303)
Statutory reserve	27	**13,903,932**	13,592,240
Voluntary reserve	27	**10,677,850**	10,366,158
Foreign currency translation reserve		**(7,236,311)**	(7,691,202)
Retained earnings		**5,321,036**	2,964,647
Total equity attributable to the owners of the Parent Company		**51,382,063**	48,481,740
Non-controlling interests		**(948,427)**	(471,984)
Total equity		**50,433,636**	48,009,756
Non-current liabilities			
Instalment payments due on purchase of properties	28	**1,170,399**	2,310,255
Redeemable preference shares	29	**2,814,969**	2,903,158
Term loans	30	**39,971,790**	62,606,363
Advances received from customers	33	**121,769,270**	108,301,350
Other liabilities	31	**10,091,931**	9,185,355
Total non-current liabilities		**175,818,359**	185,306,481
Current liabilities			
Due to related parties	37	**50,089,983**	41,876,964
Accounts payable and other liabilities	32	**51,307,091**	58,556,815
Term loans	30	**65,985,149**	32,665,537
Advances received from customers	33	**20,895,309**	23,369,436
Total current liabilities		**188,277,532**	156,468,752
Total liabilities		**364,095,891**	341,775,233
Total equity and liabilities		**414,529,527**	389,784,989

Talal Jassim Al-Bahar
Chairman & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Parent Company								
	Share capital KD	**Treasury shares KD**	**Statutory reserve KD**	**Voluntary reserve KD**	**Foreign currency translation reserve KD**	**Retained earnings KD**	**Sub-Total KD**	**Non-controlling interests KD**	**Total KD**
Balance as at 31 December 2011	45,388,200	(16,138,303)	13,592,240	10,366,158	(7,691,202)	2,964,647	48,481,740	(471,984)	48,009,756
Acquisition of treasury shares	-	(534,341)	-	-	-	-	(534,341)	-	(534,341)
Transfer to reserves	-	-	311,692	311,692	-	(623,384)	-	-	-
Transaction with owners	-	(534,341)	311,692	311,692	-	(623,384)	(534,341)	-	(534,341)
Profit/(loss) for the year	-	-	-	-	-	2,979,773	2,979,773	(681,866)	2,297,907
Total other comprehensive income for the year	-	-	-	-	454,891	-	454,891	205,423	660,314
Total comprehensive income for the year	-	-	-	-	454,891	2,979,773	3,434,664	(476,443)	2,958,221
Balance as at 31 December 2012	45,388,200	(16,672,644)	13,903,932	10,677,850	(7,236,311)	5,321,036	51,382,063	(948,427)	50,433,636

	Equity attributable to owners of the Parent Company									
	Share capital KD	**Treasury shares KD**	**Statutory reserve KD**	**Voluntary reserve KD**	**Cumulative changes in fair value KD**	**Foreign currency translation reserve KD**	**Retained earnings KD**	**Sub-Total KD**	**Non-controlling interests KD**	**Total KD**
Balance as at 31 December 2011	45,388,200	(16,152,628)	13,437,096	10,211,014	135,184	(4,301,944)	2,069,107	50,786,029	3,333,784	54,119,813
Disposals of treasury shares	-	14,325	-	-	-	-	-	14,325	-	14,325
Loss on disposal of treasury shares	-	-	-	-	-	-	(5,836)	(5,836)	-	(5,836)
Transfer to reserve	-	-	155,144	155,144	-	-	(310,288)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	(269,316)	(269,316)	(2,508,923)	(2,778,239)
Transaction with owners	-	14,325	155,144	155,144	-	-	(585,440)	(260,827)	(2,508,923)	(2,769,750)
Profit/(loss) for the period	-	-	-	-	-	-	1,480,980	1,480,980	(1,244,699)	236,281
Total other comprehensive income for the period	-	-	-	-	(135,184)	(3,389,258)	-	(3,524,442)	(52,146)	(3,576,588)
Total comprehensive income for the period	-	-	-	-	(135,184)	(3,389,258)	1,480,980	(2,043,462)	(1,296,845)	(3,340,307)
Balance as at 31 December 2011	45,388,200	(16,138,303)	13,592,240	10,366,158	-	(7,691,202)	2,964,647	48,481,740	(471,984)	48,009,756

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 Dec 2012	For the period from 1 July 2010 to 31 Dec. 2011
		KD	KD
OPERATING ACTIVITIES			
Profit/(loss) before taxation, KFAS, NLST and Zakat		3,064,091	(931,523)
Adjustments:			
Realised gain from sale of available for sale investments		-	(719,667)
Share of results of associates		-	303,191
Changes in fair value of investment properties		(19,885,741)	(5,093,484)
Gain/(loss) on disposal of investment properties		(924)	354,938
Interest income		(747,270)	(1,365,961)
Depreciation		1,816,417	3,427,076
Finance costs		5,610,766	11,570,102
Gain on partial disposal of assets classified as held for sale		(2,099,914)	-
Loss on disposal of associate		188,932	-
Impairment in value of available for sale investments		125,519	600,139
Impairment in value of property under development		990,727	-
Impairment in value of associates		3,216,178	4,172,464
Impairment in value of receivable and other assets		764,883	720,907
		(6,956,336)	13,038,182
Changes in operating assets and liabilities:			
Accounts receivable and other assets		3,929,664	21,114,155
Properties under development		(648,650)	(18,835,532)
Trading properties		635,528	4,535,270
Accounts payable and other liabilities		(11,088,775)	4,330,344
Due to related parties		8,213,019	7,937,928
Advances received from customers		10,993,793	(27,929,387)
Net cash from operating activities		5,078,243	4,190,960
INVESTING ACTIVITIES			
Changes in pledged deposits		-	937,964
Investments in associates		-	(327,793)
Net (additions)/disposal of property, plant and equipment		(136,640)	1,786,705
Proceed on disposals of investment properties		161,767	542,500
Proceeds from sale of available for sale investments		-	5,421,792
Proceeds from partial disposal of assets classifies as held for sale		5,979,075	-
Proceeds from disposal of associate		2,653,600	-
Purchase of available for sale investments		-	(540,194)
Additions to capital work-in-progress		(20,544,239)	(27,179,709)
Interest income received		747,270	1,365,961
Net cash used in investing activities		(11,139,167)	(17,992,774)
FINANCING ACTIVITIES			
(Purchase)/disposal of treasury shares		(534,341)	8,489
Increase in other non-current financial liabilities		906,576	866,874
Increase in term loans		10,685,039	9,752,695
Instalment payment due on purchase of property		(1,139,856)	2,310,255
Dividends paid		(3,643)	-
Finance costs paid		(5,610,766)	(11,570,102)
Net cash from financing activities		4,303,009	1,368,211
Net decrease in cash and cash equivalents		(1,757,915)	(12,433,603)
Cash and cash equivalents at beginning of the year/period	24	6,633,809	19,067,412
Cash and cash equivalents at end of the year/period	24	4,875,894	6,633,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Incorporation and Activities

IFA Hotels & Resorts was established as a limited liability Company on 19 July 1995, under the name "Offset Consulting and Project Management Company – WLL – Najwa Ahmed Abdelaziz Al-Qatami and Partners". On 14 May 2005, the Company's name and legal status was changed to IFA Hotels and Resorts – Kuwaiti Closed Shareholding Company.

IFA Hotels & Resorts – KSC (Closed) "the Parent Company" and its subsidiaries are collectively referred to as the "Group" in the consolidated financial statements. Details of subsidiaries are set out in note 7.

The Parent Company is principally engaged in the following:

- Developing, managing and marketing hotels and resorts.
- Purchasing, selling and development of real estate and land on behalf of the Company within or outside the State of Kuwait. In addition, managing trust holdings, as well as trading private residential plots, in a manner that is not in violation of the laws relevant to these activities and their respective provision.
- Holding, purchasing, and selling shares and bonds of real estate companies based both in Kuwait and outside Kuwait, solely for the Company's benefit and purposes.
- Providing and presenting studies and consultations on all types of real estate issues, subject to the relevant conditions required of these services.
- Performing maintenance services relating to buildings and real estate owned by the Company including all types of maintenance work and the implementation of civil, mechanical, electrical, elevator and air conditioning related works whose purpose it is to preserve these buildings and to ensure their well-being.
- Organizing private real estate exhibitions to promote the real estate Company's projects, in accordance with the ministry's regulations.
- Preparing real estate auctions.
- Holding and managing commercial and residential complexes.
- Utilization of excess cash in the Company's possession by investing in financial and real estate portfolios which are managed by specialized and professional parties.
- Direct participation in the establishment of building foundations for residential, commercial, maintenance, touristic, urban, and athletic buildings and projects using the "Build-Operate-Transfer" (BOT) method and using BOT to manage the real estate location either for the Company's, or other parties, benefit.
- The Company is also permitted to subscribe and have interests in any activities of parties that are performing similar activities or that otherwise will help the Company realize its objectives within or outside Kuwait. The Company is permitted to participate in construction, to cooperate in joint ventures, or to purchase these parties either fully or partially.

The Parent Company is a subsidiary of International Financial Advisers (IFA) – KSC (Closed), a Company listed on the Kuwait and Dubai, UAE stock exchanges.

On 29 November 2012 the Companies Law No. (25) of 2012 was issued by an Amiri Decree. This law is to be implemented and was effective on the date of its publication in the Official Gazette. Companies already established at the time this law comes into effect shall adjust their circumstances in accordance with the provisions of the law within six months of it coming into force and as specified in the executive regulations.

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

The Parent Company's shares are listed on the Kuwait Stock Exchange.

The board of directors of the Parent Company approved these consolidated financial statements for issuance on 31 March 2013. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

At the Annual General Meeting held on 21 November 2010 the shareholders approved to change the Parent Company's financial year from 30 June to 31 December. Accordingly, the Parent Company's last statutory financial period is for an eighteen month period from 1 July 2010 to 31 December 2011. Hence the comparative information for the consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of cash flow have been presented for the 18-month period ended 31 December 2011.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for financial assets at fair value through statement of income, financial assets available for sale and investment properties that have been measured at fair value.

The Group has elected to present the "statement of comprehensive income" in two statements: the "statement of income" and a "statement of comprehensive income".

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD").

3 Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990.

4 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in the previous period.

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that have or are expected to have a material impact on the Group.

4.2 IASB Standards issued but not yet effective

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

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Standard	Effective for annual periods beginning
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements	1 January 2013
- Revised as IAS 27 Separate Financial Statements	
IAS 28 Investments in Associates	1 January 2013
- Revised as IAS 28 Investments in Associates and Joint Ventures	
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 32 Financial Instruments: Presentation – amendments	1 January 2014
IFRS 7 Financial Instruments: Disclosures – amendment	1 January 2013
Annual Improvements 2009-2011	1 January 2013

4.2.1 IAS 1 Presentation of Financial Statements

The amendment to IAS 1 requires entities to group other comprehensive income items presented in the consolidated statement of comprehensive income based on those:

a) Potentially reclassifiable to consolidated statement of income in a subsequent period, and

b) That will not be reclassified to consolidated statement of income subsequently.

The Group will change the current presentation of the consolidated statement of comprehensive income when the amendment becomes effective; however, it will not affect the measurement or recognition of such items.

4.2.2 IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements

As a consequence of the new IFRS 10 and IFRS 12, IAS 27 now deals only with separate financial statements.

4.2.3 IAS 28 Investments in Associates – Revised as IAS 28 Investments in Associates and Joint Ventures

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

4.2.4 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

4.2.5 Consolidation Standards

A package of consolidation standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below. The Group's management has yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

4.2.5.1 IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. It revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the Group's existing investees at 31 December 2012.

4.2.5.2 IFRS 11 Joint Arrangements

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. This standard would have an impact on the current accounting treatments of joint venture.

4.2.5.3 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Transition guidance for IFRS 10, 11, 12
Subsequent to issuing the new standards the IASB made some changes to the transitional provisions in IFRS 10, IFRS 11 and IFRS 12. The guidance confirms that the entity is not required to apply IFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also makes changes to IFRS 11 and IFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.

The new guidance is also effective for annual periods on or after 1 January 2013

4.2.6 IFRS 13 Fair Value Measurement

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013.

Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Group's consolidated financial statements.

4.2.7 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

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

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

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

4.2.8 Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The Amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

4.2.9 Annual Improvements 2009-2011 (the Annual Improvements)

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

Clarification of the requirements for opening statement of financial position:

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

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

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

4.2.9 Annual Improvements 2009-2011 (the Annual Improvements) (continued)

- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Segment information for total assets and liabilities:

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

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

5 Summary of significant accounting policies

The significant accounting policies and measurements basis adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income.

5 Summary of significant accounting policies (continued)

5.2 Business combinations (continued)

If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.15 for a description of impairment testing procedures.

5.4 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statements of income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount under a separate heading in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal are recognised in the consolidated statement of income.

5.5 Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognize its share of profits or losses from the joint venture that results from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transactions is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss or joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

5.6 Segment reporting

The Group has four operating segments: property development, hoteliering, investments and others. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.7 Revenue recognition

Revenue arises from the sale of properties, rendering of services and investing and real estate activities. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

5 Summary of significant accounting policies (continued)

5.7 Revenue recognition (continued)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. The following specific recognition criteria should also be met before revenue is recognised;

5.7.1 Revenue from hotel operations and other related services

Revenue from hotel operations and related services is recognised when services are rendered.

5.7.2 Revenue from sale of properties

Revenue on sale of condominiums is recognised when risk and reward related to property has been transferred to the customer. Risk and reward are transferred when legal notice is served to the customer to take possession of the property or on actual hand over to the customer.

5.7.3 Dividend income

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

5.7.4 Fees and commission income

Fees and commission income is recognised when earned.

5.7.5 Interest and similar income

Interest income and expenses are reported on an accrual basis using the effective interest method.

5.7.6 Cost of sale of properties

Cost of sale of properties includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sales in respect of sale of condominiums is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

5.8 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

5.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.10 Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write-off the cost less the estimated residual value of property, plant and equipment on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Plant and Equipment	5-7 years
Motor vehicles	4-5 years
Furniture, fixtures and equipment	5-7 years
Yachts	10 years
Kitchen equipment and accessories	3-10 years

Lease hold property is depreciated over the period of the lease.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

5.11 Capital work-in-progress

Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the value of land is written down to its recoverable amount. Capital work-in-progress also includes the cost of construction, design and architecture and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalised as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalised.

5.12 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers where the market value are not readily available and are included in the consolidated statement of financial position. Where the market values are readily available, the fair value is ascertained based on latest transactions deal in the open market. Changes in fair value are taken to the consolidated statement of income.

5 Summary of significant accounting policies (continued)

5.12 Investment properties (continued)

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

5.13 Property under development

Property under development represents properties under development/construction for trade, which are stated lower of cost or net realisable value. Cost includes the cost of land, construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to property under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale. Upon completion, unsold properties, if any are transferred to trading properties. Property under development is stated after deducting cost of properties sold during the year.

5.14 Trading properties

Trading properties include purchase and development costs of completed unsold real estate properties. Development costs include planning, maintenance and service costs. Trading properties are recorded at the lower of cost and net realizable value.

Cost are those expense incurred in bringing each property to its present condition. Net realisable value is based on estimated selling price less any further cost expected to be incurred.

5.15 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.16 Financial instruments

5.16.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of a Group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset or

  (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained

5 Summary of significant accounting policies (continued)

5.16 Financial instruments (continued)

5.16.1 Recognition, initial measurement and derecognition (Continued)

substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

5.16.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented under separate headings in the statement of income.

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The Group categorises loans and receivables into following categories:

- ***Loans and advances***

Loans and advances are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- ***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.

- ***Receivables and other financial assets***

Trade receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Loans and receivables which are not categorised under any of the above are classified as "Other receivables/other financial assets".

- ***Financial assets at FVTPL***

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. Investments at FVTPL are "held for trading" on initial recognition.

The Group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions.

- ***AFS financial assets***

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

5 Summary of significant accounting policies (continued)

5.16 Financial instruments (continued)

5.16.2 Classification and subsequent measurement of financial assets (continued)

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

The Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a Group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of income.

Reversals of impairment losses are recognised in other comprehensive income, except forfinancial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.16.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include "redeemable preference shares", "instalment payment due on purchase of properties", "term loans", "due to related parties" other financial liabilities and "accounts payable and other liabilities".

The subsequent measurement of financial liabilities depends on their classification as follows:

The Group classifies all its financial liabilities as other than at fair value through profit or loss.

- ***Financial liabilities other than at fair value through profit or loss (FVTPL)***

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- *Term loans*

All term loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Redeemable preference shares*

Redeemable preference shares are subsequently measured at amortised cost using the effective interest rate method.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "other financial liabilities".

5.16.4 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.16.5 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.16.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5.16.7 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 38.

5 Summary of significant accounting policies (continued)

5.17 Advances received from customers

Advances received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements. Advances received from customers are stated net of revenue recognised during the period.

5.18 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

5.19 Equity, reserves and dividend payments

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the Parent Company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD

Retained earnings includes all current and prior period retained profits. All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

5.20 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not distributable. Any realised 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 to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.21 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

5.22 Foreign currency translation

5.22.1 Functional and presentation currency

The consolidated financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.22.2 Foreign currency transactions and balances

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 denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5 Summary of significant accounting policies (continued)

5.22 Foreign currency translation (continued)

5.22.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreignentity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

5.23 End of service indemnity

The Parent and its local subsidiaries provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.24 Taxation

5.24.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

5.24.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries, and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.24.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

5.24.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries are incorporated.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

6 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1 Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, under development, capital-work-in-progress or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost less impairment, cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of income or other comprehensive income.

The Group classifies property as trading property if it is acquired/held principally for sale in the ordinary course of business.

The Group classifies property as properties under development if it is acquired, with the intention of development with a view to sale. Where the Group acquires a property and engages in developing it, but is uncertain about their future use, such properties are classified as capital work-in-progress.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.2 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or other comprehensive income.

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through income statement depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through statement of income.

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.2 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of available for sale investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. During the year ended 31 December 2012 an impairment loss of KD125,519 (period ended 31 December 2011: KD 600,139) has been recognised for available for sale investments.

6.2.2 Impairment of loans and receivables

The Company's management reviews periodically items classified as loans and receivables to assess whether a provision for impairment should be recorded in the statement of income. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. During the year ended 31 December 2012, an impairment loss of KD764,883 (period ended 31 December 2011: KD720,907) has been recognised for loans and receivables.

6.2.3 Percentage of completion

The Group recognises accrual for capital work in progress and properties under development based on the percentage of completion method. The percentage of work completion is determined by the independent lead consultant of the respective projects.

The percentage of completion method is applied on a cumulative basis in each accounting year to the current estimates of accrual for capital work in progress and property under development. Any change in estimate for determination of accruals for capital work in progress and property under development is recognised in the current consolidated statement of financial position.

6.2.4 Estimation of impairment of property, plant and equipment and capital work-in-progress and their useful lives

The Group's management tests annually whether property plant and equipment and capital work-in progress have suffered impairment in accordance with the accounting policies stated within note 5 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives of property plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

6.2.5 Impairment of goodwill

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

6.2.6 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income. During the year ended 31 December 2012 an impairment loss of KD3,216,178 (period ended 31 December 2011: KD4,172,464) has been recognised on investment in associate.

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimation uncertainty (continued)

6.2.7 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.8 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of income. The Group engaged independent valuation specialists to determine fair value as at 31 December 2012 and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual, prices that would be achieved in an arm's length transaction at the reporting date.

7 Subsidiary companies and joint ventures

a) Subsidiary companies

The significant consolidated subsidiaries as at 31 December 2012 and 2011 are as follows:

Consolidated subsidiaries	Country of incorporation	Principal activity	Incorporation/Acquisition date	Percentage ownership %	
				2012	2011
IFA Hotels & Resorts – Jebel Ali Free Zone	UAE	Property development	2005	100%	100%
IFA Hotels & Resorts (SAL) Holdings	Lebanon	Property development	2003	51%	51%
IFA Zimbali Hotels & Resorts (Pty) Ltd.	South Africa	Property development	2003	100%	100%
IFA Hotels & Resorts Limited	South Africa	Hotelier and property developer	2003	85%	85%
IFA Hotels & Resorts 2 Limited	Cayman Island	Hotelier	2003	100%	100%
IFA Hotels & Resorts 3 Limited	Mauritius	Property development	2006	100%	100%
Yotel Investments Limited	Jersey	Hotelier	2006	100%	100%
IFA Yotel Investment FZE	UAE	Hotelier	2008	100%	100%
IFA Fairmont Zimbali Hotels & Resorts (Pty) Ltd.	South Africa	Hotelier	2006	100%	100%

b) Joint ventures

The following are a listing of the Group's interest in significant joint ventures which are included in the consolidated statement of financial position and consolidated statement of income on the proportional consolidation basis:

Name and details of the joint ventures	Country of registration/ incorporation	Interest %	
		2012	2011
Interest in Tongaat Hulett/IFA Hotels & Resorts Development (the principal activity of the joint venture is property development)	South Africa	50%	50%
Interest in Zimbali Estates (PTY) Ltd. (the principal activity of the joint venture is the sale of developed property)	South Africa	50%	50%
Interest in Palm Golden Mile Joint Venture (the principal activity of the Joint Venture is design, development, construction, marketing, sale of apartment and rental of shopping centres and residential apartments)	UAE	50%	50%

7 Subsidiary companies and joint ventures (continued)

The following amount represent the Group's share of assets, liabilities, income, expenses and profit of the joint ventures:

	31 Dec 2012 KD	31 Dec 2011 KD
Assets	**57,231,207**	57,106,923
Liabilities	**(33,273,580)**	(32,368,982)
Equity	**23,957,627**	24,737,941
Income	**384,857**	2,499,091
Direct cost and other expenses	**(1,352,463)**	(4,025,165)
Loss	**(967,606)**	(1,526,074)

8 Revenue

	Twelve Months Ended 31 Dec 2012 KD	Eighteen months period ended 31 Dec 2011 KD
Revenue from sale of properties *	**8,967,202**	29,989,541
Revenue from hotel operations	**6,465,595**	10,007,186
Revenue from beach club operations	**949,606**	1,010,683
Management fees	**390,188**	777,058
Rental income	**740,344**	1,249,884
	17,512,935	43,034,352

* This represents the revenue from trading properties and properties under development which have been originally purchased by the Group and then developed and sold to customers.

9 Interest income

	Twelve Months Ended 31 Dec 2012 KD	Eighteen months period ended 31 Dec 2011 KD
Interest income on bank balances and deposits	**24,701**	133,231
Interest income on late payments by customers	**269,162**	533,044
Interest income on shareholder loans to associates (refer to note 19 and 37)	**377,389**	147,545
Interest income on others	**76,018**	552,141
	747,270	1,365,961

10 Other income

	Twelve Months Ended 31 Dec 2012 KD	Eighteen months period ended 31 Dec 2011 KD
Advances from customers written-back on default of sales contracts (a)	**142,940**	10,240,246
Profit from disposal of Joint Venture	**-**	620,046
Discounts given to customers on early settlement of dues	**(127,482)**	(526,992)
Government grant received by a South African subsidiary (b)	**1,023,375**	-
Interest on delayed land payment	**(1,819,213)**	(1,347,305)
Others	**(525,350)**	991,267
	(1,305,730)	9,977,262

(a) The Government authorities in Dubai, UAE, have authorized the subsidiary, IFA Hotel & Resorts - FZE, [in accordance with the land department of Dubai Government regulation Law No. 9] to retain a specified percentage of the sale price from advance payments received on the sale of certain residential units under development relating to the customers who have defaulted on settling the payments due in accordance with dully executed sale contracts. The total amount written-back by the subsidiary Company (IFA Hotels & Resorts – FZE) from these advances and for which the sale contracts were forfeited amounted to UAE Dirhams 1,877,829 equivalent to KD142,940 and this has been recognised as income in the consolidated statement of income for the year.

(b) This represents a monetary grant received by a South African subsidiary from the Government as compensation for cost incurred in relation to creation of employment opportunities in the country.

11 Other operating expenses and charges

Other operating expenses and charges include the following:

	Twelve Months Ended 31 Dec 2012 KD	Eighteen months period ended 31 Dec 2011 KD
Travel expenses	**183,853**	303,289
Office expenses	**2,319,492**	1,085,790
Administration and management fee	**378,234**	391,365
Loss from foreign currency exchange differences	**3,401**	319,725
Commissions paid	**573,765**	637,012
Rent	**710,061**	1,437,175
Professional fees	**1,251,070**	1,023,224
Legal expenses	**192,707**	162,608
Advertising	**63,944**	1,036,011
Utilities	**287,063**	378,106

12 Net (loss) or gain on financial assets and finance costs

a. Net (loss) or gain on financial assets

Net (loss) or gain on financial assets, analysed by category, is as follows:

	Twelve Months Ended 31 Dec 2012 KD	Eighteen months period ended 31 Dec 2011 KD
Loans and receivables		
- Cash and cash equivalents	**24,701**	133,231
- Accounts receivable and other assets and shareholder loans to associates	**722,569**	1,232,730
- Impairment in value of receivable and other assets	**(764,883)**	(720,907)
- Impairment on loans to associates	**(3,216,178)**	(4,172,464)
Investment at fair value through profit or loss	**869,540**	-
Available for sale investments		
- Recognised directly in other comprehensive income	**-**	(135,184)
- Recycled from other comprehensive income to consolidated statement of income		
• on impairment	**(125,519)**	(600,139)
• on sale	**-**	225,307
- Recognised directly in consolidated statement of income	**-**	494,360
	(2,489,770)	(3,543,066)
Net loss recognised in the consolidated statement of income	**(2,489,770)**	(3,407,882)
Net loss recognised in the consolidated statement of comprehensive income	**-**	(135,184)
	(2,489,770)	(3,543,066)

b. Finance costs

Finance costs relate mainly to term loans and due from related parties which are financial liabilities stated at amortised cost.

13 Tax (expense)/income relating to overseas subsidiaries

	Twelve Months Ended 31 Dec 2012 KD	Eighteen months period ended 31 Dec 2011 KD
Current tax:		
Current year reversal/(charge)	**135,200**	(77,364)
Deferred tax credit:		
Current year (debit)/credit	**(764,240)**	1,315,630
	(629,040)	1,238,266

14 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share is computed by dividing the profit for the year/period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year/period as follows:

	Twelve Months Ended 31 Dec 2012 KD	Eighteen months period ended 31 Dec 2011 KD
Profit for the year/period attributable to the owners of the Parent Company (KD)	**2,979,773**	1,480,980
Weighted average number of shares outstanding during the year/period (excluding treasury shares)	**431,034,446**	431,338,189
Basic and diluted earnings per share	**6.91 Fils**	3.43 Fils

15 Property, plant and equipment

	Land KD	Buildings on freehold land KD	Buildings on leasehold land KD	Plant and equipment KD	Furniture, fixtures and office equipment KD	Kitchen equipment & accessories KD	Motor vehicles KD	Yachts KD	Total KD
Year ended 31 December 2012									
Opening net book amount	876,864	18,693,585	7,521,528	153,523	3,440,153	38,204	47,181	611,857	31,382,895
Additions	-	69,017	4,406	10,965	127,410	38,877	-	-	250,675
Transfers from properties under development (note 22)	-	-	-	-	109,139	-	-	-	109,139
Disposals	-	-	-	-	(114,033)	-	-	-	(114,033)
Foreign exchange adjustment	(22,913)	(268,000)	188,944	239	(50,643)	561	34	-	(151,778)
Depreciation for the year	-	(540,636)	(430,395)	(49,169)	(608,785)	(30,630)	(17,432)	(139,370)	(1,816,417)
Closing net book value	**853,951**	**17,953,966**	**7,284,483**	**115,558**	**2,903,241**	**47,012**	**29,783**	**472,487**	**29,660,481**
At 31 December 2012									
Cost	853,951	20,088,724	9,398,431	439,364	5,986,169	342,247	222,445	1,386,107	38,767,438
Accumulated depreciation	-	(2,134,758)	(2,113,948)	(373,806)	(3,082,928)	(295,235)	(192,662)	(913,620)	(9,106,957)
Net book value	**853,951**	**17,953,966**	**7,284,483**	**115,558**	**2,903,241**	**47,012**	**29,783**	**472,487**	**29,660,481**
Period ended 31 December 2011									
Opening net book amount	924,543	18,383,533	8,369,509	251,994	4,020,924	144,885	119,716	840,216	33,055,320
Additions	-	251,709	9,075	4,730	514,879	37,030	26,497	-	843,920
Transfers from properties under development (note 22)	51,958	4,939,833	-	-	629,247	-	-	-	5,621,038
Disposals	-	(2,397,204)	-	(2,190)	(171,712)	-	(59,519)	-	(2,630,625)
Foreign exchange adjustment	(99,637)	(1,543,601)	(14,549)	(12,872)	(400,811)	(5,967)	(2,245)	-	(2,079,682)
Depreciation for the year	-	(940,685)	(842,507)	(88,139)	(1,152,374)	(137,744)	(37,268)	(228,359)	(3,427,076)
Closing net book value	**876,864**	**18,693,585**	**7,521,528**	**153,523**	**3,440,153**	**38,204**	**47,181**	**611,857**	**31,382,895**
At 31 December 2011									
Cost	876,864	20,000,188	9,168,605	466,942	5,822,691	299,150	227,278	1,386,107	38,247,825
Accumulated depreciation	-	(1,306,603)	(1,647,077)	(313,419)	(2,382,538)	(260,946)	(180,097)	(774,250)	(6,864,930)
Net book value	**876,864**	**18,693,585**	**7,521,528**	**153,523**	**3,440,153**	**38,204**	**47,181**	**611,857**	**31,382,895**

15.1 Land and buildings with a carrying value of KD3,242,772 (31 December 2011: KD5,027,109) located in South Africa have been pledged as security for the term loan facility obtained by a South African subsidiary and building with a carrying value of KD5,218,900 (2011: KD5,335,975) located in UAE, has been pledged as security for the term loan facility by a UAE subsidiary (see note 30).

16 Capital work-in-progress

Capital work-in-progress represents mainly hotels under construction in the UAE, United Kingdom, South Africa and Europe.

The movement in capital work-in-progress is as follows:

	31 Dec 2012 KD	31 Dec 2011 KD
Carrying value at the beginning of the year/period	103,680,584	80,064,439
Additions during the year/period	20,761,951	27,179,709
Transfer to properties under development (a)	(7,563,500)	-
Transferred to investments properties (b)	(8,843,016)	-
Disposal/written off	(217,712)	(218,980)
Foreign currency translation adjustment	1,406,413	(3,344,584)
Carrying value at the end of the year/period	109,224,720	103,680,584

The above balance consists of the following:

	31 Dec 2012 KD	31 Dec 2011 KD
Land cost		
- Fairmont The Palm hotel	-	148,907
- The Trunk , Palm Jumeirah	6,081,453	6,543,941
- Crescent, Palm Jumeirah (Kingdom of Sheba Vacation Club)	1,170,399	1,155,127
- Golden Mile, Palm Jumeirah	3,491,871	3,446,309
- Kingdom of Sheba Hotel	-	6,318,547
	10,743,723	17,612,831
Construction, piling and enabling work	64,201,206	61,346,862
Other construction related costs*	34,279,791	24,720,891
	109,224,720	103,680,584

Other construction related costs include KD5,525,007 (31 December 2011: KD1,949,594) borrowing cost on the borrowing from a foreign bank by the UAE subsidiary (note 30j).

a) During the year, management has transferred the cost of penthouses and condominiums in the Fairmont The Palm hotel in UAE subsidiary to properties under development as it intends to sell these once completed (note 22).

b) During the year, the management decided to transfer the Kingdom of Sheba Hotel, land and cost of initial work in UAE subsidiary to investment properties for capital appreciations for which development has been stopped in previous years and the relevant advance received from customers has been classified as current liability.

c) In the opinion of the management, there has been no impairment in the carrying value of capital work-in-progress as at 31 December 2012 (31 December 2011: Nil).

17 Investment properties

The movement in investment properties is as follows:

	31 Dec 2012 KD	31 Dec 2011 KD
Carrying value at the beginning of the year/period	**27,170,955**	1,407,892
Transfer from other assets-payment towards acquisition of the property (note 21)	**-**	13,166,224
Transfer from Capital work-in-progress (note 16b)	**8,843,016**	-
Additions during the year/period	**-**	8,979,670
Disposal during the year/period	**(160,843)**	(897,438)
Change in fair value	**19,885,741**	5,093,484
Foreign currency translation adjustment	**669,357**	(578,877)
Carrying value at end of the year/period	**56,408,226**	27,170,955

*The profit on disposal of investment properties amounted to KD924 (31 December 2011: loss of KD354,938).

The investment properties consist of the following:

	31 Dec 2012 KD	31 Dec 2011 KD
Portugal – Pine Cliffs Resorts	**9,102,096**	8,982,064
Land – Crescent Palm Jumeirah	**47,133,600**	17,851,040
Residential Apartments – Shoreline – Palm Jumeirah	**-**	159,817
Private freehold land in "IFA Zimbali Hotels & Resorts"– South Africa	**172,530**	178,034
	56,408,226	27,170,955

18 Asset classified as held for sale

a) This represents 25% (2011: 41.08%) holding in Raimon Land Public Company Limited. At the end of the previous year this investment was classified as "held for sale" because the Parent Company's management had decided to commit to a plan to sell this investment and therefore its carrying amount will be recovered principally through the sale transaction rather than through continuing use. During the current year the Group disposed a 13.57% stake in the investee for consideration of KD5,979,075 resulting in a gain of KD2,099,914. Further during the year the investee company has increased its share capital by issuing shares to certain investors, which has resulted in a dilution of the Group's shareholding in the investee. Subsequent to the reporting date the Group has disposed of this investment (note 42).

The fair market value of remaining investment of Raimon Land Public Limited's shares is KD17,466,855 (31 December 2011: KD14,098,950).

b) During the period the Group disposed certain share warrants received (at zero cost) from the above investee Company for a consideration of KD869,540 resulting in a gain of KD869,540. The gain on the sale of the warrants has been classified as realised gain on investments at fair value through profit or loss.

19 Investments in associates

Details of associates are as follows:

Name and particulars of the company	Interest in equity 2012	Interest in equity 2011	31 Dec 2012 KD	31 Dec 2011 KD
Boschendal (Pty) Ltd. (Registered in South Africa and its principal activity is property development)	-	37.33%	-	2,614,091
Purple Plum Properties Limited (Registered in South Africa and its principal activity is property development)	-	37.33%	-	1
Legend and IFA Developments (Pty) Ltd.(Registered in South Africa and its principal activity is property development and safari resorts accommodation and related service)	50%	50%	8,145,144	11,405,792
			8,145,144	14,019,884

The above is made-up as follows:

	31 Dec 2012 KD	31 Dec 2011 KD
Equity investments	14	15
Shareholders loans	11,361,308	18,192,333
Less: provision for impairment in value of shareholders loan	(3,216,178)	(4,172,464)
	8,145,144	14,019,884
Aggregate share of associates' assets and liabilities:		
Assets	39,987,168	47,351,742
Liabilities	(31,842,024)	(33,331,858)
Equity	8,145,144	14,019,884
Aggregate share of associates' revenue and losses:		
Revenue	701,447	1,435,627
Losses	-	(303,191)

19 Investments in associates (continued)

Investment in Legend IFA Developments (Pty) Ltd., includes shareholder loans of KD8,145,130 which is non-interest bearing and carried at present value [31 December 2011: KD 14,019,869 for both Boschendal (Pty) ltd and Legend IFA developments (Pty) ltd of which KD4,527,647 is non-interest bearing and carried at present value]. The loans are unsecured and are not repayable before 31 December 2013.

The fair value of the associates could not be reliably measured since they are unquoted.

During the year the Group made impairment provisions of KD Nil (2011: KD2,553,500) and KD3,216,178 (2011: KD1,618,964) for shareholders loan of Boschendal (Pty) Ltd and Legend IFA Development (Pty) Ltd. respectively.

The accumulated unrecognised losses as they relate to Legend and IFA Development Limited amounted to KD534,203 (31 December 2011: KD512,844).

During the year, a South African subsidiary disposed one of its associates, Boschendal (Pty) ltd, (37.33% ownership interest) carried at KD2,842,532 (including shareholders loan) for a consideration of KD2,653,600 resulting in a loss of KD188,932.

20 Available for sale investments

	31 Dec 2012 KD	31 Dec 2011 KD
Foreign investments – unquoted shares	**6,342,077**	5,596,400
Local investments – quoted shares	**274,573**	400,094
Local investments – unquoted shares	**110,000**	110,000
	6,726,650	6,106,494

a. During the year, the Group recognised an impairment loss of KD125,519 (2011: KD600,139) for local quoted shares as the market value of these shares declined significantly below their cost.

b. Foreign and local unquoted investments of KD6,452,077 (2011: KD5,706,400) are carried at cost less impairment in value, if any, since their fair values cannot be reliably determined. Management is not aware of any circumstances that would indicate impairment in value of these investments.

21 Accounts receivable and other assets

	31 Dec 2012 KD	31 Dec 2011 KD
Financial assets:		
Accounts receivable	**10,149,849**	11,846,585
Due from related parties (note 37)	**9,731,136**	12,335,085
Loan to related parties (a)	**281,614**	277,939
Payment towards acquisition of investments	**38,648**	1,256,622
Other financial assets	**5,852,248**	3,780,679
	26,053,495	29,496,910
Non-financial assets:		
Advance to contractors	**1,156,739**	2,356,404
Differed tax assets	**1,658,088**	2,726,448
Other non-financial assets	**1,372,712**	1,100,807
	4,187,539	6,183,659
	30,241,034	35,680,569

a. Loans to related parties represent short term unsecured loans provided by the UAE subsidiary for an unspecified term but repayable on demand. The loan carries an effective rate of 8% per annum on the principal amount of loan.

b. During the year, the Group recognised an impairment loss of KD764,883 (31 December 2011: KD720,907) against certain related party receivables (Joint venture) based on estimates made by management as per information available to them at the reporting date.

22 Properties under development

The movement in properties under development is as follows:

	31 Dec 2012 KD	31 Dec 2011 KD
Carrying value at the beginning of the year/period	**147,065,369**	140,120,910
Additions during the year/period	**8,333,042**	32,166,774
Transfers from capital work-in-progress (Note 16)	**7,563,500**	-
Transfer to property, plant and equipment (note 15)	**(109,139)**	(5,621,038)
Cost absorbed during the year/period	**(7,684,392)**	(13,331,242)
Impairment made during the year/period	**(990,727)**	-
Foreign exchange adjustments	**1,712,283**	(6,270,035)
	155,889,936	147,065,369
Less: Non-current portion (a)	**(101,978,023)**	(95,976,538)
	53,911,913	51,088,831

(a) Properties under development relates to the revenue projects that are offered for sale. Costs of projects expected to be completed after 12 months have been classified as non-current assets.

In the opinion of the management, there has been no further impairment in the carrying values of the property under development as at 31 December 2012 (31 December 2011: Nil).

(b) During the year, a South African subsidiary and the Lebanon subsidiary recognised an impairment loss of KD990,727 against certain properties under development based on the estimates made by the management as per information available to them at the reporting date.

The above balance consists of the following:

	31 Dec 2012 KD	31 Dec 2011 KD
The above balance consists of the following:		
Land cost:		
- The Trunk, Palm Jumeirah	**549,002**	-
- Jumeirah Lakes Towers, Dubai	**2,714,403**	2,311,151
- Kingdom of Sheba Heritage Place	**4,176,998**	4,122,496
- Dhour Al-Abadieh	**4,458,794**	4,998,844
- Balqis Residence	**23,760,457**	23,450,430
- Zimbali Prescient Real Estate	**616,409**	-
	36,276,063	34,882,921
Construction, piling and enabling works	**87,234,013**	83,987,846
Other construction related costs	**32,379,860**	28,194,602
	155,889,936	147,065,369

23 Trading properties

	31 Dec 2012 KD	31 Dec 2011 KD
Residential flats in Dubai, UAE	**-**	313,444
Properties in South Africa	**5,048,231**	5,370,315
	5,048,231	5,683,759

Trading properties in Dubai represented completed but unsold units of Souq Residence FZE – Trunk Residence FZE. Trading properties in South Africa represent plots of lands purchased in South Africa for trading purposes and comprise land at cost and development expenditure attributable to unsold properties.

The trading properties in South Africa have been pledged as security for borrowing facilities of the Group (see note 30).

24 Cash and cash equivalents

	31 Dec 2012 KD	31 Dec 2011 KD
Cash and bank balances	**4,130,270**	6,054,289
Term deposits – due within three months	**745,624**	579,520
Cash and cash equivalents for cash flow purposes	**4,875,894**	6,633,809

The term deposits carry effective interest rates of 5.5% per annum (2011: 4% to 7.5% per annum).

Cash and bank balances include escrow account balances maintained by the UAE subsidiary amounting to KD106,081 (31 December 2011: KD1,753,466) which are subject to Law No 8 of 2007 concerning guarantee accounts of real estate developments in the Emirate of Dubai.

Term deposits includes a short term deposit of KD727,003 (31 December 2011: KD482,923) placed with one of the joint venture's by a South Africa subsidiary.

25 Share capital

a) At 31 December 2012, the authorised, issued and paid-up capital of the Parent Company comprised 453,882,000 shares (2011: 453,882,000) shares of 100 fils each.

b) Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's board of directors propose to increase the paid up share capital by 181,552,800 shares (40%) by way of an issue of shares, at par value of 100 fils per share and premium of 130 fils per share.

26 Treasury shares

	31 Dec 2012 KD	31 Dec 2011 KD
Number of shares	**23,192,882**	22,532,882
Percentage of issued shares	**5.11%**	4.96%
Market value (KD)	**10,204,868**	10,703,119
Cost (KD)	**16,672,644**	16,138,303

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

27 Statutory and voluntary reserves

As required by the Companies Law and the Parent Company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat provision and board of directors remuneration, but after taxation on overseas subsidiaries and non-controlling interests, is transferred to the statutory reserve until the balance reaches 50% of the Parent Company's issued and paid-up capital. Any transfer to the statutory reserve thereafter is subject to approval from the general assembly. No transfer is required in a year when losses are made. 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 distribution of a dividend of that amount.

In accordance with Parent Company's articles of association, a certain percentage of the Parent Company's profit before KFAS, NLST, Zakat provision and board of directors' remuneration, but after taxation on overseas subsidiaries and non-controlling interests, is transferred to the voluntary reserve at the direction of the board of directors based on what is approved at the general assembly. For the period ended 31 December 2012 the board of directors propose to transfer 10% of the above mentioned profit to the voluntary reserve and this is subject to the approval of the general assembly. There are no restrictions on distribution of voluntary reserve.

28 Instalment payments due on purchase of properties

These instalments as at 31 December 2012 represent amounts payable on the purchase of land in the various projects in the UAE subsidiary (classified as capital work-in-progress and property under development). The maturity details of the instalments are due are as follows:

	31 Dec 2012 KD	31 Dec 2011 KD
Amounts due within one year (note 32)	**5,990,772**	5,761,324
Amounts due after one year	**1,170,399**	2,310,255
Total amount due	**7,161,171**	8,071,579

29 Redeemable preference shares

During the prior period, IFA Hotels & Resorts 1, a subsidiary of IFA Hotels & Resorts – FZE, bought back the entire shareholding held by FHR Gulf Management FZ – LLC (the "non controlling interest"). In consideration, the subsidiary issued the following classes of preferred shares to the non-controlling interests.

a. 127,610.50 Series A Preferred Shares with a par value of USD0.0001 (KD0.00002815). These shares have voting rights (in reference to Series A preferred shares) and are redeemable and non-convertible. The entitlement of each share is USD39.1817 (KD10.296). No dividend is payable on these shares. The term of these shares is five years, at which point any shares that have not been redeemed in accordance with the amended and restated Articles of Association of the subsidiary undertaking will be redeemed and re-issued as Series B Preferred Shares.

b. 127,610.50 Series B Preferred Shares with a par value of USD0.0001(KD0.00002815). These shares have voting rights (in reference to Series B preferred shares) and are cumulative, redeemable and non-convertible. The entitlement of each share is USD39.1817 (KD10.296). These shares carry a fixed dividend of 6% per annum from the sixth to the tenth year and thereafter 10%. After the Series A Preferred Shares have been redeemed, Series B Preferred Shares will be redeemed promptly following each Refinancing Redemption Event – as defined in the amended and restated Articles of Association of the subsidiary undertaking.

	31 Dec 2012 KD	31 Dec 2011 KD
Issue of preference shares	**2,814,969**	2,903,158

30 Term loans

	Effective interest rates %	31 Dec 2012 KD	31 Dec 2011 KD
Term loan – UAE	5% to 12%	**68,001,346**	54,038,528
Term loan – South Africa	4% to 11.5%	**18,097,164**	21,615,535
Term loan – Jersey	4.5%	**397,983**	438,837
Term loan – Lebanon	9%	**2,993,338**	2,336,734
Term loan – Portugal	6.5%	**6,523,471**	6,898,629
Term loan – Kuwait	6.5%	**9,943,637**	9,943,637
		105,956,939	95,271,900
Less: Amount due within one year		**(65,985,149)**	(32,665,537)
Amount due after more than one year		**39,971,790**	62,606,363

30 Term loans (continued)

a. Term loans represent loans obtained by the Parent Company and subsidiaries in Dubai, South Africa, Jersey, Portugal and Lebanon to finance the projects in Dubai, the United Kingdom, Lebanon and purchase of properties/finance projects in South Africa and Portugal.

b. Loans obtained by the South African Subsidiary include a loan of KD1,284,764 (2011: KD1,341,445) obtained by one of its joint ventures. The loan is secured by mortgage over Westbrook properties.

c. The loans obtained by the South African subsidiaries are secured by:

- the mortgage of property, plant and equipment with a carrying value of KD3,242,772 (31 December 2011: KD5,027,109).

d. The loan obtained by the Lebanon subsidiaries is secured by Land Plot (classified as properties under development) amounting to KD4,053,600 (31 December 2011: KD4,001,040).

e. The loan obtained by the Portugal subsidiaries is secured by investments properties with a carrying value of KD9,102,096 (31 December 2011: KD 8,982,064).

f. *Loans obtained by the UAE subsidiaries amounting to KD11,143,456 (31 December 2011: KD14,811,068) from Emirates NBD Bank:*

This facility is secured by the plots on the Palm Jumeirah including additions from time to time, all fixtures, fitting and other appurtenant and also secured against the collections deposited in the Escrow account opened in a foreign bank. Further it is also secured by buildings with a carrying value of KD5,218,901 located at Al Shalal Beach Club (refer note 15), in the UAE subsidiary by way of mortgage together with treasury shares and South Africa properties of the Parent Company.

g. *Loan obtained by UAE subsidiaries amounting to KD4,922,204 (2011: KD4,857,977) from Tamweel LLC:*

This represents the UAE subsidiaries share of a financing facility obtained by the UAE joint venture by entering into a sale and lease back agreement with a lending institution with respect to its project consisting of the constructing of 63 residential apartments at Golden Mile, Palm Jumeirah. Until such time the loans and finance costs are paid in full, the lending institution will hold the title of the property by way of safe keeping (amana). Further, the ultimate Parent Company has also provided a corporate guarantee of AED64,225,000 (equivalent to KD4,922,204) to the lending institution.

h. *Loan obtained by UAE subsidiaries amounting to KD9,193,448 (2011: KD12,168,658) from Drake & Scull International Company (DSI):*

This includes financing of KD6,225,161 (net of repayment) obtained from DSI under an investment support agreement which was executed on 24 December 2011 between the parties. Under the agreement, DSI agreed to extend the Group investment support by means of a subordinated, secured facility in an aggregate principal amount of KD12,329,537 (equivalent to AED 160,876,000) and repayments of the facility are scheduled starting from 31 December 2011 until 31 December 2013. In the case of default the lender may require to repay the facility within 30 days.

During the year, the UAE Subsidiary secured an additional credit facility with DSI amounting to KD2,968,287 (equivalent to AED 38,730,264) through an investment support agreement specifically for the project of Balqis Residence FZE, one of the UAE Subsidiary entities. The facility has been fully drawn during the year through conversion of existing trade payables of the UAE subsidiary to DSI. Repayments under this facility are scheduled until December 2013. The parent company serves as the guarantor under these investment support agreements and has entered into an equitable share mortgage with DSI in respect of the parent company's shareholding in its subsidiary IFA Fairmont – Zimbali Hotel & Resorts (pty) Ltd. The parent company has guaranteed no more than the repayment of the principal amount and service charges accruing thereon.

i. *Loan obtained by UAE subsidiaries amounting to KD5,587,214 (2011: KD4,523,618) from Dubai Contracting Company LLC (DCC):*

This represents a financing facility from DCC on 2 December 2010 and will be utilized to settle outstanding amounts due to DCC under the constructions contract dated 4 June 2007. The loan is unsecured and subordinated by a loan facility obtained by a UAE subsidiary referred to in (j) below. The total loan facility amounted to KD5,630,000 and as of reporting date, the UAE subsidiary utilized KD5,587,214. The facility is due on later of 18 months from the issue of the "Taking Over Certificate", which is expected in 2013 and the repayment in full of the loan facility secured from a foreign bank, which is due in 2013.

j. *Loan obtained by UAE subsidiaries amounting to KD35,723,901 (2011: KD17,677,207) from a foreign bank:*

On 13 December 2010, a UAE subsidiary secured a KD32,372,500 (USD115,000,000) loan facility from a foreign bank, for the direct and indirect payments of construction contractors, any third party to whom project cost are owed, and a hotel operator in respect of pre-opening expenses and payments in respect of project costs. A subsidiary incorporated in Cayman Island, the Parent Company of UAE subsidiary, is a guarantor of the loans facility and, as of the reporting date, the subsidiary has availed KD30,198,894 from the facility and repayments will commence on 30 April 2013. Accrued interest of KD5,525,007 is also included in the amount of borrowings.

30 Term loans (continued)

k. *Loan obtained by UAE subsidiaries amounting to KD1,431,123 (2011: KD Nil) from Gulf Technical Construction Company LLC and Ranya General Construction Company LLC:*

During the year, the UAE subsidiary entered into an investment support agreement with Gulf Technical Construction Company LLC and Ranya General Construction Company LLC for a credit facility aggregating to KD5,395,005 (equivalent to AED70,394,113) specifically for its Laguna Tower project. Amounts drawn under this facility will be paid by the UAE subsidiary to the counterparties within two years from the date of the Taking Over Certificate. This credit facility is secured with retail and residential units under the project with a total value of KD6,259,806 (equivalent to AED81,678,041). The UAE subsidiary has also guaranteed the repayment of the principal amounts drawn under the facility and the charges accruing thereon. As at 31 December 2012 the UAE subsidiary has utilized KD1,431,123 (equivalent to AED18,673,323) of the facility by converting existing trade payables to the counterparties.

l. Kuwait term loan represents a short term loan obtained from a related party which carries interest at 4.5% above the Central Bank of Kuwait discount rate per annum and is repayable within 6 months from the reporting date. The loan is secured by investment securities of the ultimate Parent Company with a carrying value of KD12,773,828 (2011: KD15,759,428).

31 Other liabilities

	31 Dec 2012 KD	31 Dec 2011 KD
Retention payable	**11,874,769**	11,272,699
Retention payable within one year (note 32)	**(1,782,838)**	(2,087,344)
	10,091,931	9,185,355

32 Accounts payable and other liabilities

	31 Dec 2012 KD	31 Dec 2011 KD
Accounts payable	**16,060,440**	22,655,486
Accrued construction costs	**3,948,433**	7,455,059
Instalment payments due on purchase of properties – current portion (note 28)	**5,990,772**	5,761,324
Other accruals	**6,214,317**	4,971,291
Deferred tax	**1,120,385**	1,402,531
Deferred income	**1,443,136**	1,458,240
Dividend payable	**521,468**	525,111
Retention payable – current portion (note 31)	**1,782,838**	2,087,344
KFAS, NLST and Zakat payables	**3,437,325**	3,300,181
Refundable deposits due to customers in relation to forfeited sale contracts	**2,658,819**	2,666,883
Land transfer fee payable	**1,689,720**	1,624,612
Other payables	**6,439,438**	4,648,753
	51,307,091	58,556,815

33 Advances received from customers

These are advances received from customers against sale of residential properties under development in various projects mainly by subsidiary companies in Dubai, UAE and Lebanon. Advances that are related to the projects that are expected to be completed within next 12 months have been classified as current liabilities.

	31 Dec 2012 KD	31 Dec 2011 KD
Balance at the beginning of the year/period	131,057,925	159,600,173
Advances received during the year/period	16,295,389	19,988,495
Revenue recognised during the year/period	(6,478,491)	(41,248,047)
Foreign exchange adjustment	1,789,756	(6,669,835)
Balance at end of the year/period	142,664,579	131,670,786
Less: Current portion	(20,895,309)	(23,369,436)
	121,769,270	108,301,350

34 Proposed distributions

The board of directors of the Parent Company propose not to distribute any dividend for the period ended 31 December 2012 (31 December 2011: Nil). This proposal is subject to the approval of the annual general assembly of shareholders.

35 Segmental information

The Group's activities are concentrated in four main segments: property development, hoteliering, investments and others. The segments' results are reported to the higher management in the Group. In addition, the segments revenue and assets are reported based on the geographic locations which the Group operates in.

35 Segmental information (continued)

The following is the segmental information, which conforms with the internal reporting presented to management.

	Year ended 31 December 2012				
	Property development KD	Hoteliering KD	Investments KD	Others KD	Total KD
Segment revenue	26,798,805	7,415,201	(187,676)	797,940	34,824,270
Less:					
Net income from ticketing and related services					(115,327)
Fees and commission income					(184,588)
Change in fair value of investment properties					(19,885,741)
Gain on disposal of investment properties					(924)
Realized gain from investments at fair value through profit or loss					(869,540)
Loss on disposal of associate					188,932
Impairment in value of associates					3,216,178
Impairment in value of available for sale investments					125,519
Impairment in value of receivable other assets					764,883
Impairment in value of properties under development					990,727
Gain on partial disposal of assets classified as held for sale					(2,099,914)
Interest income					(747,270)
Other income					1,305,730
Revenue as per consolidated statement of income					17,512,935
Segment profit/(loss) before taxation, KFAS, NLST and Zakat	7,183,847	(2,176,370)	(1,847,261)	(96,125)	3,064,091
Depreciation	995,947	661,437	144,887	14,146	1,816,417
Impairment in value of available for sale investments	-	-	(125,519)	-	(125,519)
Impairment in value of receivable and other assets	-	-	(764,883)	-	(764,883)
Impairment in value of associates	-	-	(3,216,178)	-	(3,216,178)
Segment assets	345,320,967	37,476,292	31,040,531	691,737	414,529,527
Segment liabilities	(282,027,953)	(29,345,599)	(52,494,808)	(227,531)	(364,095,891)

35 Segmental information (continued)

	Eighteen months 31 December 2011				
	Property development KD	Hoteliering KD	Investments KD	Others KD	Total KD
Segment revenue	38,355,490	11,017,869	3,674,462	1,822,688	54,870,509
Less:					
Net income from ticketing and related services					(192,652)
Fees and commission income					(638,770)
Change in fair value of investment properties					(5,093,484)
Loss on disposal of investment properties					354,938
Realised gain from sale of available for sale investments					(719,667)
Share of results of associates					303,191
Impairment in value of associates					4,172,464
Impairment in value of receivable other assets					720,907
Impairment in value of available for sale investments					600,139
Interest income					(1,365,961)
Other income					(9,977,262)
Revenue as per consolidated statement of income					43,034,352
Segment profit/(loss) before taxation, KFAS, NLST and Zakat	10,146,051	(5,197,424)	(5,593,716)	(286,434)	(931,523)
Depreciation	1,630,653	1,565,094	218,251	13,078	3,427,076
Impairment in value of available for sale investments	-	-	(600,139)	-	(600,139)
Impairment in value of receivable and other assets	-	-	-	(720,907)	(720,907)
Impairment in value of associates	-	-	(4,172,464)	-	(4,172,464)
Segment assets	310,856,111	41,810,121	36,377,402	741,355	389,784,989
Segment liabilities	(265,266,808)	(30,708,257)	(45,619,144)	(181,024)	(341,775,233)

Geographical segments:

The geographical analysis is as follows:

	Assets 31 Dec 2012	Assets 31 Dec 2011	Revenue 31 Dec 2012	Revenue 31 Dec 2011
Kuwait	13,395,030	16,107,033	(2,904,582)	(731,282)
UAE and Asia	340,744,231	302,210,274	22,192,301	42,371,229
Africa	43,630,244	55,465,042	7,275,236	8,896,766
Others	16,760,022	16,002,640	8,261,315	4,333,796
	414,529,527	389,784,989	34,824,270	54,870,509

36 Capital commitments and contingencies

Capital expenditure commitments

At 31 December 2012, the Group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai, UAE, Lebanon and South Africa. The estimated funding commitments on these projects are as follows:

	31 Dec 2012 KD	31 Dec 2011 KD
Estimated and contracted commitments for property, plant and equipment and capital work-in-progress	**5,630**	10,931,349
Estimated and contracted capital expenditure for construction of properties under development and trading properties	**37,051,784**	43,419,697
	37,057,414	54,351,046

The Group may finance the future expenditure commitments from the following sources:

a) sale of trading properties;

b) sale of investment properties;

c) advances from customers;

d) raising additional share capital;

e) advances provided by shareholders, related entities, joint ventures; and

f) borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at that time.

Contingencies

During the period a master property developer (Nakheel) initiated legal proceedings for a claim of KD7,664,000 (AED100 Million) against a joint venture formed by a UAE subsidiary with another party. The joint venture has lodged a counter claim of KD70,508,800 (AED920 Million), against the sale of retail space in Golden Mile, Palm Jumeirah.

Certain customers have also initiated legal proceedings against the UAE subsidiary for the delay in completion of its projects and cancellation of units.

Since these litigations are in the preliminary stage, the probable outcome cannot be estimated reliably. However, the Group management is of the view that these cases will ultimately be decided in favour of the Group.

37 Related party transactions

Related parties represent the ultimate Parent Company, associates, joint ventures, directors and key management personnel of the Group, and other related parties such as subsidiaries of the ultimate Parent Company (fellow subsidiaries), major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Significant transactions and balances with related parties included in the consolidated financial statements are as follows:

	31 Dec 2012 KD	31 Dec 2011 KD
Balances included in the consolidated statement of financial position:		
Amounts due from associate (note 21)	-	29,659
Amounts due from joint ventures (note 21)	534,601	1,287,647
Due from Key management personnel (note 21)	-	58,140
Loans to related parties (note 21)	281,614	277,939
Amounts due from other related parties (note 21)	9,196,535	10,959,639
Amounts due to ultimate Parent Company	31,385,889	30,926,576
Amounts due to other related parties	18,704,094	10,950,388
Disposal of available for sale investments	-	3,249,109
Short term deposit placed with joint venture (note 24)	727,003	482,923
Term loan (note 30)	9,943,637	9,943,637

	Twelve Months Ended 31 Dec 2012 KD	Eighteen months period ended 31 Dec 2011 KD
Transactions included in the consolidated statement of income		
Interest income	402,109	302,593
Finance costs	875,760	820,216
Impairment in value of receivable and other assets (note 21 b)	764,883	720,907
Commission income	50,137	144,304
Impairment in value of associate (note 19)	3,216,178	4,172,464
Realised gain on disposal of available for sale investments	-	719,667
Compensation of key management personnel of the Group		
Short-term employee benefits	580,156	796,749

37 Related party transactions (continued)

Related party balances outstanding at year end due to funds transfer are included under due from related parties and due to related parties.

Amount due from joint ventures, key management personnel and other related parties are interest free and have no specific repayment dates.

Amount due to other related parties includes short term advance of KD6,542,618 (31 December 2011: KD1,767,878) which carries interest at 2% above the Central Bank of Kuwait discount rate per annum with no specific repayment dates and the remaining balances of KD12,161,476 (31 December 2011: KD9,182,510) are non-interest bearing and have no specific repayment terms. Further, amounts due to the ultimate Parent Company are non-interest bearing and have no specific repayment dates.

38 Summary of financial assets and liabilities by category

38.1 Categories of financial assets and liabilities

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

	31 Dec 2012 KD	31 Dec 2011 KD
Financial assets:		
Available for sale investments	**6,726,650**	6,106,494
Loans to associates (note 19)	**8,145,130**	14,019,869
Accounts receivable and other assets (note 21)	**26,053,495**	29,496,910
Cash and cash equivalents	**4,875,894**	6,633,809
	45,801,169	56,257,082
Financial liabilities:		
Term loans	**105,956,939**	95,271,900
Instalment payment due on purchase of investments property	**1,170,399**	2,310,255
Redeemable preference shares	**2,814,969**	2,903,158
Other financial liabilities	**10,091,931**	9,185,355
Due to related parties	**50,089,983**	41,876,964
Accounts payable and other liabilities	**51,307,091**	58,556,815
	221,431,312	210,104,447

38 Summary of financial assets and liabilities by category (continued)

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the Group's management, except for certain available for sale investments which are carried at cost for reasons specified in note 20 to the financial statements, the carrying amounts of financial assets and liabilities as at 31 December 2012 and 31 December 2011 approximate their fair values.

38.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

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

31 December 2012	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
Assets at fair value					
Available for sale investments					
- Quoted shares	a	**274,573**	-	-	**274,573**
Total assets		**274,573**	-	-	**274,573**

31 December 2011	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
Assets at fair value					
Available for sale investments					
- Quoted shares	a	400,094	-	-	400,094
Total assets		400,094	-	-	400,094

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

a) Quoted shares

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

39 Risk management objectives and policies

The Group's principal financial liabilities comprise "instalment due on purchase of properties", "redeemable preference shares", "term loans", "other non-current financial liabilities", "due to related parties and accounts payable and other liabilities". The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, cash and cash equivalents, loans to associates and investment securities which arise directly from operations.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Parent Company's board of directors sets out policies for reducing each of the risks discussed below.

The Group does not use derivative financial instruments.

The most significant financial risks to which the Group is exposed to are described below.

39.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in Middle Eastern countries, South Africa & Indian Ocean region and European countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirhams, UK Pounds, Euro and South African Rand. The Group's statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 12 months) from longer-term cash flows. Foreign currency risk is managed on the basis of continuous assessment of the Groups' open positions.

The Group had the following significant exposures denominated in foreign currencies at the reporting date, translated into Kuwaiti Dinars at the closing rates:

	31 Dec 2012 Equivalent KD	31 Dec 2011 Equivalent KD
US Dollars	**121,211**	1,112,261
Euro	**54,235**	557,706

39 Risk management objectives and policies (continued)

39.1 Market risk (Continued)

a) Foreign currency risk (Continued)

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivities given below, then this would have the following impact on the profit/loss for the period/year:

	31 Dec 2012		31 Dec 2011	
	Inc/(Dec)	Profit for the period	Inc/(Dec)	Profit for the period
	%	KD	%	KD
US Dollars	0.66%	800	0.06%	667
	-0.66%	(800)	-0.06%	(667)
Euro	3.01%	1,632	5.56%	31,016
	-3.01%	(1,632)	-5.56%	(31,016)

The above percentages have been determined based on the average exchange rates in the previous 12 months. Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its term deposits and borrowings which are both at fixed rate and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

The Group does not have any off balance sheet financial instrument which are used to manage the interest rate risk.

The following table illustrates the sensitivity of the profit for the year/period to a possible change in interest rates of + 1% and – 1% (2011: + 1% and –1%) with effect from the beginning of the year/period. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	Increase in interest rates		Decrease in interest rates	
	30 Dec 2012	31 Dec 2011	30 Dec 2012	31 Dec 2011
	1 %	1 %	1 %	1 %
	KD	KD	KD	KD
Profit for the year/period	(601,615)	(1,021,832)	601,615	1,021,832

39 Risk management objectives and policies (continued)

39.1 Market risk (continued)

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to an individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait. Equity investments are classified as available for sale investments.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the other comprehensive income for the year/period ended 31 December would have been as follows:

A positive number indicates an increase in other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Other comprehensive income	
	31 Dec 2012 KD	31 Dec 2011 KD
Available for sale investments	**27,457**	40,009
	27,457	40,009

For a 10% decrease in the equity prices there would be an equal and opposite impact on the other comprehensive income.

39.2 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 credit policy and exposure to credit risk is monitored on an on-going basis. The Group seeks to avoid undue concentrations of risks with individuals or Groups of customers in specific locations or business through diversification of its activities.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarised below:

	31 Dec 2012 KD	31 Dec 2011 KD
Available for sale investments	**6,726,650**	6,106,494
Loans to associates (note 19)	**8,145,130**	14,019,869
Accounts receivable and other assets (note 21)	**26,053,495**	29,496,910
Cash and cash equivalents	**4,875,894**	6,633,809
	45,801,169	56,257,082

39 Risk management objectives and policies (continued)

39.2 Credit risk (continued)

Except for certain available for sale investments, loans to associates and other assets referred in note 19, 20, and 21 respectively, none of the above financial assets are past due nor impaired. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

39.3 Concentration of assets

The distribution of financial assets by geographic region for 2012 and 2011 are as follows:

	Kuwait	Asia & Middle East	Africa	UK & Europe	Total
	KD	KD	KD	KD	KD
At 31 December 2012					
Available for sale investments	**384,574**	**4,110,679**	**66,340**	**2,165,057**	**6,726,650**
Loans to associates (note 19)	**-**	**-**	**8,145,130**	**-**	**8,145,130**
Accounts receivable and other assets (note 21)	**3,566,824**	**18,846,790**	**2,037,745**	**1,602,136**	**26,053,495**
Cash and cash equivalents	**58,362**	**3,145,805**	**1,505,865**	**165,862**	**4,875,894**
	4,009,760	**26,103,274**	**11,755,080**	**3,933,055**	**45,801,169**
At 31 December 2011					
Available for sale investments	510,094	4,109,833	81,744	1,404,823	6,106,494
Loans to associates (note 19)	-	-	14,019,869	-	14,019,869
Accounts receivable and other assets (note 21)	8,038,961	19,698,672	1,052,398	706,879	29,496,910
Cash and cash equivalents	70,852	5,688,852	276,499	597,606	6,633,809
	8,619,907	29,497,357	15,430,510	2,709,308	56,257,082

39 Risk management objectives and policies (continued)

39.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The contractual maturity of financial liabilities based on undiscounted cash flows is as follows:

	On demand	1-3 Months	3-12 Months	1-5 years	More than 5 years	Total
	KD	KD	KD	KD	KD	KD
At 31 December 2012						
Financial liabilities						
Instalment payment due on purchase of properties	**-**	**-**	**-**	**1,170,399**	**-**	**1,170,399**
Redeemable preference shares	**-**	**-**	**-**	**2,814,969**	**-**	**2,814,969**
Term loans	**-**	**397,983**	**66,397,715**	**43,008,537**	**-**	**109,804,235**
Other financial liabilities	**-**	**-**	**-**	**10,091,931**	**-**	**10,091,931**
Due to related parties	**-**	**50,089,983**	**-**	**-**	**-**	**50,089,983**
Accounts payable and other liabilities	**-**	**51,307,091**	**-**	**-**	**-**	**51,307,091**
	-	**101,795,057**	**66,397,715**	**57,085,836**	**-**	**225,278,608**
At 31 December 2011						
Financial liabilities						
Instalment payment due on purchase of properties	-	-	-	2,310,255	-	2,310,255
Redeemable preference shares	-	-	-	2,903,158	-	2,903,158
Term loans	197,990	6,345,797	27,522,921	63,997,675	899,477	98,963,860
Other financial liabilities	-	-	-	9,185,355	-	9,185,355
Due to related parties	-	41,876,964	-	-	-	41,876,964
Accounts payable and other liabilities	-	58,556,815	-	-	-	58,556,815
	197,990	106,779,576	27,522,921	78,396,443	899,477	213,796,407

40 Capital management objectives

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The capital of the Group consists of total equity. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and 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, buy back shares, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the return on equity and it is calculated as profit for the year/period divided by total equity as follows:

	31 Dec 2012 KD	31 Dec 2011 KD
Profit attributable to the owners of the Parent Company	2,979,773	1,480,980
Equity attributable to the owners of the Parent Company	51,382,063	48,481,740
Return on equity attributable to the owners of the Parent Company	5.80%	3.05%

41 Comparative amounts

Certain comparative amounts for the previous period have been reclassified to be consistent with the presentation for the current period and such re-classifications did not affect previously reported results, total assets or equity.

42 Subsequent event

Subsequent to the reporting date the Group disposed its holding (25%) in the asset classified as held for sale (see note 18) for a consideration equivalent to KD20,737,625 resulting in a gain approximately equivalent to KD12,876,430.