First Qatar Real Estate Development Company K.S.C. (Closed)

FINANCIAL STATEMENTS

31 DECEMBER 2012

Ernst & Young

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Quality In Everything We Do

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Ernst & Young
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED)

Report on the Financial Statements

We have audited the accompanying financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) (the "Company"), which comprise the statement of financial position as at 31 December 2012, and the 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 information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Company's Board of Directors relating to these 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 financial statements incorporate all information that is required by the Companies Law No 25 of 2012 and the Company's articles of association and memorandum of incorporation, 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 Company's articles of association memorandum of incorporation have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the Company or on its financial position.

WALEED A. AL-OSAIMI
LICENSE NO. 68 A
ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS

25 March 2013
Kuwait

STATEMENT OF INCOME

Year ended 31 December 2012

	Notes	***2012*** ***KD***	*2011* *KD*
Rental income		**462,521**	432,962
Properties operating expense		**(155,260)**	(378,947)
Net rental income		**307,261**	54,015
Change in fair value of investment properties	10	**11,074**	(190,677)
Gain on sale of investment properties		**-**	790,000
Net gain on investment properties		**11,074**	599,323
Sales of inventory properties		**1,767,983**	5,943,618
Cost of sales-inventory properties	11	**(1,419,531)**	(4,983,945)
Profit on sale of inventory properties		**348,452**	959,673
Gain (loss) on sale of financial assets carried at fair value through profit or loss		**4,722**	(74,139)
Unrealised loss on financial assets carried at fair value through profit or loss		**(218,103)**	(1,258,932)
Share of results of an associate	9	**2,318**	3,707
Impairment of investment in an associate	9	**-**	(79,500)
Dividend income		**71,723**	250,648
Net investment loss		**(139,340)**	(1,158,216)
Foreign exchange gain		**12,485**	133,347
Other income		**51,751**	12,971
Administrative expenses		**(884,092)**	(1,327,791)
Allowance for legal claim	22	**(1,195,941)**	-
Finance costs		**(168,844)**	(315,000)
LOSS FOR THE YEAR	5	**(1,657,194)**	(1,041,678)
BASIC AND DILUTED LOSS PER SHARE	6	**(3.3) fils**	(2.1) fils

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	***2012 KD***	*2011 KD*
Loss for the year		**(1,657,194)**	(1,041,678)
Other comprehensive income:			
Exchange difference on translation of foreign operations	9	**4,496**	(5,669)
Other comprehensive income (loss) for the year		**4,496**	(5,669)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,652,698)**	(1,047,347)

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	*2012* *KD*	*2011* *KD*
ASSETS			
Non-current assets			
Property and equipment	7	**127,131**	247,132
Property under development	8	**26,102,959**	25,285,226
Investment in an associate	9	**170,079**	163,265
Investment properties	10	**8,709,254**	8,624,228
		35,109,423	34,319,851
Current assets			
Inventory properties	11	**8,296,312**	9,903,390
Financial assets carried at fair value through profit or loss	12	**6,731,626**	6,963,256
Accounts receivable and prepayments	13	**1,011,769**	2,933,128
Cash and cash equivalents	14	**3,657,035**	5,894,470
		19,696,742	25,694,244
TOTAL ASSETS		**54,806,165**	60,014,095
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**50,000,000**	50,000,000
Statutory reserve	16	**302,662**	302,662
Foreign currency translation reserve		**(39,160)**	(43,656)
Accumulated losses		**(1,657,194)**	-
Total equity		**48,606,308**	50,259,006
Non-current liabilities			
Employees' end of service benefits		**93,887**	75,629
Current liabilities			
Accounts payable and accruals	17	**3,456,164**	4,759,309
Advance from customers	18	**439,806**	420,151
Murabaha payable	19	**2,210,000**	4,500,000
		6,105,970	9,679,460
Total liabilities		**6,199,857**	9,755,089
TOTAL EQUITY AND LIABILITIES		**54,806,165**	60,014,095

Fahad K. Al-Ghunaim
Chairman & CEO

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Share capital KD	*Statutory reserve KD*	*General reserve KD*	*Foreign currency translation reserve KD*	*Accumulated losses KD*	*Total KD*
At 1 January 2012	50,000,000	302,662	-	(43,656)	-	50,259,006
Loss for the year	-	-	-	-	(1,657,194)	(1,657,194)
Other comprehensive income	-	-	-	4,496	-	4,496
Total comprehensive income (loss) for the year	-	-	-	4,496	(1,657,194)	(1,652,698)
At 31 December 2012	**50,000,000**	**302,662**	-	**(39,160)**	**(1,657,194)**	**48,606,308**
At 1 January 2011	50,000,000	1,238,230	1,238,230	(37,987)	(1,132,120)	51,306,353
Loss for the year	-	-	-	-	(1,041,678)	(1,041,678)
Other comprehensive loss	-	-	-	(5,669)	-	(5,669)
Total comprehensive loss for the year	-	-	-	(5,669)	(1,041,678)	(1,047,347)
Offsetting of accumulated losses (Note 16)	-	(935,568)	(1,238,230)	-	2,173,798	-
At 31 December 2011	50,000,000	302,662	-	(43,656)	-	50,259,006

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	*2012* *KD*	*2011* *KD*
OPERATING ACTIVITIES			
Loss for the year		**(1,657,194)**	(1,041,678)
Non-cash adjustments to reconcile loss for the year to net cash flows:			
Depreciation	7	**125,077**	125,324
Provision for employees' end of service benefits		**20,733**	8,358
Change in fair value of investment properties	10	**(11,074)**	190,677
Gain on sale of investment properties		**-**	(790,000)
(Gain) loss on sale of financial assets carried at fair value through profit or loss		**(4,722)**	74,139
Unrealised loss on financial assets carried at fair value through profit or loss		**218,103**	1,258,932
Share of results of an associate	9	**(2,318)**	(3,707)
Impairment of an associate	9	**-**	79,500
Dividend income		**(71,723)**	(250,648)
Finance costs		**168,844**	315,000
Gain on disposal of property and equipment		**-**	(1,629)
		(1,214,274)	(35,732)
Working capital adjustments:			
Inventory properties		**1,607,078**	4,983,945
Accounts receivable and prepayments		**1,921,359**	(551,841)
Accounts payable and accruals		**(1,156,989)**	(2,620,325)
Advance from customers		**19,655**	(1,839,889)
Cash from (used in) operations		**1,176,829**	(63,842)
Employees' end of service benefits paid		**(2,475)**	(6,136)
Net cash flows from (used in) operating activities		**1,174,354**	(69,978)
INVESTING ACTIVITIES			
Purchase of property and equipment	7	**(5,076)**	(21,540)
Proceeds from disposal of property and equipment		**-**	7,718
Purchase of investment properties	10	**(73,952)**	(127,309)
Proceeds from sale of investment properties		**-**	5,270,000
Additions to property under development	8	**(817,733)**	(112,933)
Purchase of financial assets carried at fair value through profit or loss		**-**	(113,013)
Proceeds from sale of financial assets carried at fair value through profit or loss		**18,249**	582,374
Dividend income received		**71,723**	250,648
Net cash flows (used in) from investing activities		**(806,789)**	5,735,945
FINANCING ACTIVITIES			
Repayment of murabaha payable		**(2,290,000)**	-
Repayment of short term loans		**-**	(474,760)
Finance costs paid		**(315,000)**	(315,000)
Net cash used in financing activities		**(2,605,000)**	(789,760)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,237,435)**	4,876,207
Cash and cash equivalents at the beginning of the year		**5,894,470**	1,018,263
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	**3,657,035**	5,894,470

The attached notes 1 to 26 form part of these financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) ("the Company") for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 25 March 2013. The ordinary general assembly of the shareholders of the Company has the power to amend these financial statements after their issuance.

The financial statements of the Company for the year ended 31 December 2011 were approved by the shareholders at the annual general meeting held on 31 May 2012.

The Company is a closed shareholding Company registered and incorporated in Kuwait on 11 May 2004 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. Its registered office is at Kuwait, Abu Baker Al Sideek St. Gulf Tower, 18th Floor, Al Qibla, Block 14.

The Company's main licensed activities are acquisition of shares and stocks in other companies, lend money to the companies in which it holds stocks, acquisition and lease of patent rights, trade and industrial marks, ownership of real estate properties within the limits permitted by law and investment of surplus funds in securities and properties managed by specialized entities. All activities are carried out in compliance with the Articles of Association and the Memorandum of Incorporation of the Company.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. According to article 2 of the Decree, the Company has a period of 6 months from 29 November 2012 to regularize its affairs in accordance with the Companies Law.

2.1 BASIS OF PREPARATION

Basis of preparation
The financial statements are prepared under the historical cost convention modified to include the measurement of fair value of investment properties and financial assets carried at fair value through profit or loss.

The financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Company's functional and presentation currency.

Statement of compliance
The financial statements of the Company 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of inventory properties
A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term.

Dividend income
Dividend income is recognised when the Company's right to receive payment is established.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases – Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	10 years
Furniture and office equipment	4 to 5 years
Computers	4 years
Vehicles	5 years

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of income as the expense is incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Property under development
Property under development for future use as inventory properties are stated at cost less any impairment in value.

The carrying value of these properties is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Investment in associates
The Company's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the statement 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 associates.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its associate. The Company 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 Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises impairment in the statement of income.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the statement of income.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

Investment properties are derecognised 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 statement of income in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use. For a transfer from investment properties 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 Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventory properties
Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold and leasehold rights for land
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory properties (continued)
Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Cash and cash equivalents
For the purpose of the statement of cash flow, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

Financial instruments – initial recognition and subsequent measurement

Financial assets
Initial recognition and measurement
Financial assets within scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through income statement, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include investments at fair value through profit or loss, receivables, cash and cash equivalents, At 31 December, the Company did not have any held-to-maturity investments or financial assets available for sale, or derivatives instruments.

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

Financial assets carried at fair value through profit or loss
Financial assets carried at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses of investment held for trading are recognized in the statement of income. Financial assets are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of income.

Accounts receivables
Accounts receivable are stated at the balance due, net of provisions for an uncollectible amount. An estimate for doubtful debts is made, when collection of full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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

- the rights to receive the cash flows from the asset have expired
- the Company has transferred its right 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company 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 Company has retained.

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs.

The Company's financial liabilities include accounts payable and murabaha payable. At 31 December, the Company did not have any financial liabilities at fair value through profit or loss or as derivatives instruments.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

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

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Murabaha payable
Murabaha payable represents the amount payable, on a deferred settlement basis, for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Derecognition
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 the statement of income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the 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.

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 instrument not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

i. Using recent arm's length market transactions
ii. Reference to the current fair value of another instrument that is substantially the same
iii. A discounted cash flow analysis or other valuation models.

Unquoted securities with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Employees' end of service benefits
The Company provides end of service benefits for its expatriate employees. The entitlement to those benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to social security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currencies translation

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies translation (continued)

Transactions and balances (continued)
Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
As at the reporting date, the carrying amount of foreign associates is translated into the Company's presentation currency at the rate of exchange ruling at the reporting date, and the share of results from associates are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognised in statement of comprehensive income. On disposal of a foreign associate, the deferred cumulative amount recognized in equity relating to the particular foreign associate is the recognized in the statement of income.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these financial statements are consistent with those used in previous year, except for the adoption of the following new and amended IASB Standards:

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

Other amendments to IFRS effective as of 1 January 2012 did not have any impact on the financial position or performance of the Company.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income. The Company has used judgement and estimates principally in, but not limited to, the following:

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Classification of investments
Management decides on acquisition of investments whether it should be classified as financial assets carried at fair value through profit or loss or financial assets available for sale.

The Company classifies financial assets as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through profit or loss depends on how management monitor the performance of these investments. 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 financial assets at fair value through profit or loss. All other investments are classified as financial assets available for sale.

Classification of property
The Company determines whether a property is classified as investment property or inventory property:

Investment property comprises properties which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Company develops and intends to sell on completion of construction.

Estimation of net realisable value for inventory properties
Inventory properties are stated at the lower of cost and net realisable value (NRV).

NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company having taken suitable external advice and also in the light of recent market transactions.

NRV in respect of inventory property under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

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

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

Impairment of accounts receivable
An estimate of the collectible amount of trade receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of property and equipment
A decline in the value of property and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value beyond that which would be expected from the passage of time or normal use
- significant changes in the technology and regulatory environments
  evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Valuation of investment properties
The fair value of investment property is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location to those of the Company assets.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IASB standards relevant to the Company have been issued but are not yet mandatory, and have yet not been adopted by the Company:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments are not expected to have a significant impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Improvements to IFRS (issued in May 2012)
IASB issued following improvements to IFRS effective for annual period beginning on or after 1 January 2013.

- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment

Additional disclosures will be made in the financial statements when these standards, revisions and amendments become effective. The Company, however, expects no material impact from the adoption of the amendments on its financial position or performance.

5 LOSS FOR THE YEAR

Loss for the year is stated after charging:

	2012	*2011*
	KD	*KD*
Staff costs	**420,114**	551,271
Rent	**41,745**	91,118

6 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share is calculated by dividing the loss by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 December, the Company did not have any dilutive shares.

The information necessary to calculate basic loss per share based on the weighted average number of shares outstanding, during the year is as follows:

	2012	*2011*
	KD	*KD*
Loss for the year	**(1,657,194)**	(1,041,678)
Weighted average number of ordinary shares outstanding during the year	**500,000,000**	500,000,000
Basic and diluted loss per share	**(3.3) fils**	(2.1) fils

7 PROPERTY AND EQUIPMENT

	Leasehold improvements KD	*Furniture and office equipment KD*	*Computers KD*	*Vehicles KD*	*Total KD*
Cost:					
At 1 January 2012	174,636	186,763	332,362	12,480	706,241
Additions	-	4,052	1,024	-	5,076
At 31 December 2012	174,636	190,815	333,386	12,480	711,317
Depreciation:					
At 1 January 2012	117,754	93,695	237,952	9,708	459,109
Depreciation charge for the year	34,350	19,469	68,762	2,496	125,077
At 31 December 2012	152,104	113,164	306,714	12,204	584,186
Net carrying value:					
At 31 December 2012	**22,532**	**77,651**	**26,672**	**276**	**127,131**

	Leasehold improvements KD	*Furniture and office equipment KD*	*Computers KD*	*Vehicles KD*	*Work in progress KD*	*Total KD*
Cost:						
At 1 January 2011	154,674	186,339	306,057	32,280	25,151	704,501
Additions	19,962	424	1,154	-	-	21,540
Transfers	-	-	25,151	-	(25,151)	-
Disposal	-	-	-	(19,800)	-	(19,800)
At 31 December 2011	174,636	186,763	332,362	12,480	-	706,241
Depreciation:						
At 1 January 2011	85,483	71,696	172,030	18,287	-	347,496
Depreciation charge for the year	32,271	21,999	65,922	5,132	-	125,324
Depreciation on disposal	-	-	-	(13,711)	-	(13,711)
At 31 December 2011	117,754	93,695	237,952	9,708	-	459,109
Net carrying value:						
At 31 December 2011	56,882	93,068	94,410	2,772	-	247,132

8 PROPERTY UNDER DEVELOPMENT

	2012 KD	*2011 KD*
Cost at the beginning of the year	**25,285,226**	25,172,293
Additions	**817,733**	112,933
Cost at the end of the year	**26,102,959**	25,285,226

Property under development represents a plot of land located in Pearl Island, Qatar and is currently under development.

Property under development comprise value of land and development costs amounting to KD 22,669,469 and KD 3,433,490 (2011: KD 22,669,469 and KD 2,615,757) respectively.

At 31 December 2012, the fair value of the land determined by an accredited independent valuator is KD 24,293,089 (2011: KD 23,464,537).

9 INVESTMENT IN AN ASSOCIATE

Details of associate company are set out below:

Name	*Country of Incorporation*	*Interest in equity 2012*	*2011*	*Principal activities*
Wind Stone International GmbH	Germany	**49%**	49 %	Construction engineering and related management services.

The movements in the carrying amount of investment in an associate are as follows:

	2012 KD	*2011 KD*
Balance at the beginning of the year	**163,265**	244,727
Share of results of an associate	**2,318**	3,707
Foreign exchange translation adjustment	**4,496**	(5,669)
Impairment loss	**-**	(79,500)
Balance at the end of the year	**170,079**	163,265

The following table illustrates summarised financial information of the associate as at 31 December:

	2012 KD	*2011 KD*
Share of associate statement of financial position:		
Non-current assets	**159,513**	153,952
Current assets	**56,361**	54,495
Current liabilities	**(45,795)**	(45,182)
Equity	**170,079**	163,265
Share of associate revenue and results:		
Revenue	**217,163**	130,654
Results	**2,318**	3,707

During prior year, an associate named Qatar Real Estate Investment W.L.L. was running into losses and experiencing financing problems, therefore the management of the Company decided to impair the carrying value of its investment in associate amounting to KD 79,500.

The share of Wind Stone International GmbH results for the year ended 31 December 2012 has been accounted for based on management accounts.

The fair value of investment in associate could not be reliably measured as the associates are unquoted and they do not have published quoted prices.

10 INVESTMENT PROPERTIES

	2012 KD	*2011 KD*
Balance at 1 January	**8,624,228**	13,167,596
Additions	**73,952**	127,309
Disposals	**-**	(4,480,000)
Change in fair value	**11,074**	(190,677)
Balance at 31 December	**8,709,254**	8,624,228

The fair value of the investment properties has been determined based on valuations performed by an accredited independent valuator.

11 INVENTORY PROPERTIES

As at 31 December 2012, the fair value of inventory properties amounting to KD 10,254,967 (2011: KD 11,466,409), has been determined based on valuations performed by an accredited independent valuator.

12 FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 ***KD***	*2011* *KD*
Quoted equity securities	**2,038,623**	2,089,960
Unquoted equity securities	**2,750,848**	2,779,144
Managed funds	**1,942,155**	2,094,152
	6,731,626	6,963,256

The investment portfolio is managed by a related party (Note 20). Certain investments with carrying value amounting of KD 4,326,549 (2011: KD 4,306,376) are pledged against Murabaha payable (Note 19).

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012 ***KD***	*2011* *KD*
Trade receivables	**423,613**	2,294,822
Notes receivable	**370,490**	386,457
Advances to contractors	**63,363**	14,785
Other receivables	**154,303**	237,064
	1,011,769	2,933,128

As at 31 December 2012 trade receivables at nominal value of KD 7,004,516 (2011: KD 5,808,575) were impaired and fully provided for.

Movements in the provisions for impairment of trade accounts receivable in the statement of financial position are as follows:

	2012 ***KD***	*2011* *KD*
At 1 January	**5,808,575**	5,808,575
Charge for the year	**1,195,941**	-
At 31 December	**7,004,516**	5,808,575

As at the end of the year, the ageing of unimpaired trade receivables and notes receivable are as follows:

			Past due but not impaired		
	Total *KD*	*Neither past due nor impaired* *KD*	*30 – 60 days* *KD*	*60 – 90 day* *KD*	*More than 90 days* *KD*
2012	**794,103**	**562,356**	-	-	**231,747**
2011	2,681,279	2,195,044	-	-	486,235

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

14 CASH AND CASH EQUIVALENTS

	2012 *KD*	*2011* *KD*
Cash in hand and at banks	**144,978**	5,824,612
Short-term deposits	**3,422,368**	-
Cash with portfolio manager (Note 20)	**89,689**	69,858
	3,657,035	5,894,470

Short-term deposits are denominated in Qatari Riyals and earn an average interest rate of 1% per annum.

15 SHARE CAPITAL

	Authorised, issued and fully paid	
	2012 *KD*	*2011* *KD*
500 million shares of 100 fils each (all shares were paid in cash)	**50,000,000**	50,000,000

16 RESERVES

a) Statutory reserve

In accordance with Companies Law and the Company's articles of association no transfer has been made to statutory reserve since losses have been incurred during the year. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

The board of directors on 19 April 2012 proposed to offset the accumulated losses of the Company at 31 December 2011 amounting to KD 935,568 against the statutory reserve, and is approved by the shareholders at the annual general meeting held on 31 May 2012 for the year ended 31 December 2011.

b) General reserve

In accordance with the Company's articles of association no transfer has been made to general reserve since losses have been incurred during the year.

The board of directors on 19 April 2012 proposed to offset the accumulated losses of the Company at 31 December 2011 amounting to KD 1,238,230 against the general reserve, and is approved by the shareholders at the annual general meeting held on 31 May 2012 for the year ended 31 December 2011.

17 ACCOUNTS PAYABLE AND ACCRUALS

	2012 *KD*	*2011* *KD*
Retention payables	-	569,032
Payable towards acquisition of property under development	**2,596,483**	2,488,576
Payable to contractors	**260,717**	523,801
Accrued expenses and other payables	**425,841**	884,838
Due to a related party (Note 20)	-	8,200
Payables towards cancelled units	**173,123**	284,862
	3,456,164	4,759,309

18 ADVANCE FROM CUSTOMERS

Advance from customers represents future revenue from the sale of residential units which shall be recognised in the statement of income when the units are delivered to the customers.

19 MURABAHA PAYABLE

	2012 *KD*	*2011* *KD*
Gross amount	**2,306,907**	4,743,063
Less: deferred profit payable	**(96,907)**	(243,063)
	2,210,000	4,500,000

Murabaha payable represents an arrangement with a local Islamic financial institution and bears an effective profit rate of 5.5% (2011: 7%) per annum and is repayable on 12 March 2013.

Murabaha payable is secured by pledge of investments amounting to KD 4,326,549 (2011: KD 4,306,376) (Note 12).

20 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders, directors and senior management of the Company, and companies of which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Company's management.

Balances with related parties are included in the statement of financial position are as follows:

	Others *KD*	*Shareholders* *KD*	*2012* *KD*	*2011* *KD*
Cash and cash equivalents (Note 14)	-	**89,689**	**89,689**	69,858
Due to a related party (Note 17)	-	-	-	8,200

Key management personnel compensation

	2012 *KD*	*2011* *KD*
Salaries and short-term employee benefits	**222,082**	258,656
End of services benefits	**6,709**	7,298
	228,791	265,954

Amount due to related party disclosed in Note 17 is interest free and payable within one year from the reporting date.

The investment portfolio is managed by a related party (Note 12). Certain investments with carrying value amounting of KD 4,326,549 (2011: KD 4,306,376) are pledged against Murabaha payable (Note 12).

21 EXPENDITURE COMMITMENTS

	2012 *KD*	*2011* *KD*
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property under development	**11,674**	64,185
Operating lease commitments		
Future minimum lease payments:		
Within one year	**26,256**	42,348
After one year but not more than three years	**-**	16,092
Total operating lease expenditure contracted	**26,256**	58,440

Capital commitments amounting to KD 11,674 represents the value of commitments for contracts entered into for the development of property under development till reporting date. The total cost of development of said property estimated by accredited surveyor amounted to KD 73,501,500.

22 CONTINGENCIES

At 31 December 2012, the Company had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 116,595 (2011: KD Nil).

During the year ended 31 December 2009, the Company had created provision of an amount of KD 5,769,524 relating to sale of an investment property due to uncertainty of collection. During the current year, a legal case was filed against the Company relating to development of same property amounting to KD 1,188,400. As per the final verdict by the Court, the Company paid this amount and claimed from the original buyer. Management is of the view that the collection of this amount is doubtful and accordingly the Company has allowed for full amount. The legal case is under process to recover the full amount of KD 6,957,924 from the original buyer. Allowance for legal claim amounting to KD 1,195,941 (2011: KD Nil) included in the statement of income include the above claim of KD 1,188,400 and allowance for others amounting to KD 7,541.

23 RISK MANAGEMENT

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Company's activities are credit risk, liquidity risk and market risk. Market risk is subdivided into interest risk, currency risk and equity price risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2012 and 31 December 2011. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

23.1 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 Company seeks to limit its credit risk with respect to bank balances by only dealing with the reputed banks. Management of the Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to amounts appearing on the statement of financial position.

The Company's assets can be analysed as follows:

	2012 *KD*	*2011* *KD*
Banks balances	**3,657,035**	5,894,470
Accounts receivable	**946,116**	2,915,520
Total credit risk exposure	**4,603,151**	8,809,990

23 RISK MANAGEMENT (continued)

23.2 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

At 31 December 2012	***Less than 3 months KD***	***3 to 12 months KD***	***Total KD***
Accounts payable and accruals	**187,350**	**3,095,691**	**3,283,041**
Murabaha payable	**2,357,553**	**-**	**2,357,553**
	2,544,903	**3,095,691**	**5,640,594**

At 31 December 2011	*Less than 3 months KD*	*3 to 12 months KD*	*Total KD*
Accounts payable and accruals	393,245	4,073,002	4,466,247
Murabaha payable	4,743,063	-	4,743,063
	5,136,308	4,073,002	9,209,310

23.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest/profit rate risk, currency risk, and equity price risk.

23.3.1 Interest/profit rate risk

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

The Company is not significant exposed to interest/profit rate risk as majority of its interest bearing assets and liabilities are stated at fixed rate. Effective interest/profit rates are disclosed in notes 14 and 19.

23.3.2 Currency risk

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

The Company manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge foreign currency exposures.

The effect on loss (due to change in the fair value of monetary assets and liabilities) as a result of change in currency rate, with all other variables held constant is shown below:

		Effect on loss for the year (+/-)	
Currency	***Change in currency rate (+/-)***	***2012 KD***	*2011 KD*
US Dollar	**5%**	**118,319**	159,036
Qatari Riyal	**5%**	**306,392**	342,604

23 RISK MANAGEMENT (continued)

23.3 Market risk(continued)

23.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Company manages the risk through diversification of investments in terms of geographic distribution and industry concentration.

The effect of equity price risk on profit of the Company as a result of a change in the fair value of equity instruments held as financial assets carried at fair value through profit or loss at the year-end due to an assumed *(+/-)*5% change in market prices, with all other variables held constant, is as follows:

		Effect on loss for the year	
	Change in fair value (+/-)	***2012 KD***	*2011 KD*
Kuwait stock exchange	**5%**	**91,403**	199,625

24 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains sufficient capital in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions.

No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011. Capital comprises share capital, statutory reserve and accumulated losses, and is measured at KD 48,645,468 as at 31 December 2012 (2011: KD 50,302,662).

25 SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real estate investing activities comprise investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.
- Equity and other investing activities comprise participation in financial and real estate funds and managing the Company's liquidity requirements.

Year ended 31 December 2012	***Real estate investing activities KD***	***Equities and other investing activities KD***	***Unallocated KD***	***Total KD***
Segment revenue	**2,230,504**	**78,763**	**-**	**2,309,267**
Segment results				
Segment loss	**(529,154)**	**(139,340)**	**(988,700)**	**(1,657,194)**
As at 31 December 2012				
Segment assets	**43,951,161**	**6,901,705**	**3,953,299**	**54,806,165**
Segment liabilities	**3,578,957**	**-**	**2,620,900**	**6,199,857**

25 SEGMENT INFORMATION (continued)

Year ended 31 December 2011	*Real estate investing activities KD*	*Equities and other investing activities KD*	*Unallocated KD*	*Total KD*
Segment revenue	6,376,580	254,355	-	6,630,935
Segment results				
Segment profit (loss)	1,613,011	(1,158,216)	(1,496,473)	(1,041,678)
As at 31 December 2011				
Segment assets	46,550,672	7,126,521	6,336,902	60,014,095
Segment liabilities	4,465,934	-	5,289,155	9,755,089

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

Financial assets consist of financial assets carried at fair value through profit or loss, receivables and cash and cash equivalents. Financial liabilities consist of payables and accruals and murabaha payable.

The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy
As at 31 December 2012, the Company held the following financial instruments measured at fair value:

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

At 31 December 2012	***Level: 1 KD***	***Level: 2 KD***	***Level: 3 KD***	***Total fair value KD***
Financial assets carried at fair value through profit or loss	**2,038,623**	**1,942,155**	**2,750,848**	**6,731,626**

At 31 December 2011	*Level: 1 KD*	*Level: 2 KD*	*Level: 3 KD*	*Total fair value KD*
Financial assets carried at fair value through profit or loss	2,089,960	2,094,152	2,779,144	6,963,256

During the reporting period ending 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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