



ANNUAL REPORT

2013





الارجان  
ALARGAN  
SINCE 1994





His Highness  
**Sheikh Sabah Al-Ahmad  
Al-Jaber Al-Sabah**  
Amir of the State of Kuwait



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



## ALARGAN at a glance

ALARGAN was established in 1994 by the present Chairman and Managing Director, Mr. Khaled Khudair Al-Mashaan, as a contracting company focused on the construction of middle income housing in Kuwait and then moved on to become a full-fledged developer in the middle income housing market segment. The Company was established in its current form as a joint stock company through the incorporation of ALARGAN International Real Estate as a closed Kuwaiti Shareholding Company in 2002 and grew into a leading real estate developer in the GCC. The establishment of ALARGAN International was subsequently followed by the initiation of "ALARGAN TOWELL Investment Company" in the Sultanate of Oman in 2003, "ALARGAN Bahrain" in the Kingdom of Bahrain in 2005 and "ALARGAN Projects" in the Kingdom of Saudi Arabia in 2006. ALARGAN was listed on the Kuwait Stock Exchange in 2007.

Since its inception, ALARGAN has primarily focused on developing quality affordable and middle-income housing solutions at competitive prices in the different markets that it operates in. The Company has also acquired extensive knowledge in an array of property types, ranging from residential and commercial projects and master planned communities, to mixed-use and touristic developments. Recognizing the need and strength of local knowledge and expertise, ALARGAN carefully and successfully created a network of strategic partners across the region, expanding the company's reach into the main segments of the real estate sector in the Sultanate of Oman, Kingdom of Saudi Arabia and Kingdom of Bahrain. The Company presently has a capital of KD 26.5 million and more than KD 550 million in projects under development. In addition, the Company has approximately KD 47 million in assets under management.

## Contact us

Kuwait  
P.O.Box 8904 Salmiyah, 22060 Kuwait  
Tel: +965 2226 3222  
Fax: +965 2226 3232

## Investor Relations

Investors seeking more information on ALARGAN may:

- Visit our website [www.alargan.com](http://www.alargan.com)
- Call us on +965 2226 3222 Ext: 1132
- Send an e-mail to [investors@alargan.com](mailto:investors@alargan.com)

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# Board of Directors



## Khaled Al Mashaan

### Chairman and Managing Director

Khaled Al-Mashaan is the Chairman and Managing Director of ALARGAN International Real Estate Company. Mr. Al-Mashaan has almost 30 years of experience in civil engineering and real estate development industries. In the early stages of his career, he was involved in landmark projects in Kuwait and contributed to the post war damage assessment following 1990 - 1991 Gulf War. In 1994, Mr. Al-Mashaan founded ALARGAN, a pioneering real estate development company focused on quality housing solutions and commercial outlets within the GCC region. Under his leadership, ALARGAN has grown from a family-owned business into a publicly listed company on the Kuwait Stock Exchange, with approximately KD 47 million of assets under management established in Kuwait, Oman, Saudi Arabia and Bahrain. Mr. Al-Mashaan received his Bachelor of Science in Civil Engineering from California State University, Los Angeles – USA; he has successfully completed the Financial Management Program and the Advanced Management Development Program in Real Estate at Harvard University Graduate School of Design.



## Hamad Al-Mudhaf

### Vice Chairman

Mr. Al-Mudhaf is the Vice-Chairman of ALARGAN International Real Estate Company since May 2011. He is also the Chairman and Managing Director of ALARGAN Gulf Real Estate Services Company. Mr. Al-Mudhaf has over 20 years of experience in managing leading multinational real estate companies in Kuwait. Throughout his career, Mr. Al-Mudhaf has operated commercial, residential, and industrial properties, excelled using unique real estate approaches, teaming up on a project basis with other prominent businessmen, and creating several innovative and very successful projects within the GCC countries. Mr. Al-Mudhaf holds a Bachelor degree in Accounting from the Faculty of Commerce, Economic and Political Science in 1990; he has also obtained multiple certificates in the business and management fields.



## Abdulaziz Al-Abdulrazaq

### Board Member

Mr. Al-Abdulrazaq is a Board Member in ALARGAN International Real Estate Company Board of Directors. He also serves as a Vice Chairman in Al-Fajer Retakaful Insurance Company, a Board Member of First Brokerage Company, and a Board Member in Global Investment House-Sudan. Mr. Al-Abdulrazaq has over 16 years of experience in the investment sector and is currently the Vice-President of Private Banking of the Wealth Management Department in Global Investment House. Prior to joining Global, Mr. Al-Abdulrazaq held prominent positions in several Kuwaiti companies including Bayan Investment Company and Kuwait Investment Company. He was also a Board Member of Noran Holding Company. Mr. Al-Abdulrazaq received his Bachelor's degree in General Management from Eastern Washington University, Washington – U.S.A





## Faisal Al-Mashaan

### Board Member

Mr. Al-Mashaan is a Board Member in ALARGAN International Real Estate Company Board of Directors. He has over 20 years experience in managing different business units and projects in various industries within the GCC region. Mr. Al-Mashaan began his career as a Manager in the Direct Investment Division of Coast Investment & Development Co. In 2006, he assumed the position of Financial & Administrative Director for ALARGAN General Trading & Contracting Establishment, and currently he is the General Manager of several investment companies that focus on opportunities in technology, insurance & the food industry. Recently, Mr. Al-Mashaan has become the first investor in Kuwait and Gulf Region to obtain the license of (C-Bar) steel that is used as an alternative to conventional re-bar in the reinforcing of concrete structures. Mr. Al-Mashaan has a Bachelor degree in Science and Business Administration from Point Park College, Pittsburgh, Pennsylvania, and has also obtained various certificates in investment, real estate, and international trade & technology.



## Farqad Al Sane

### Board Member

Mr. Al-Sane is a Board Member in ALARGAN International Real Estate Company Board of Directors and the Chairman of the Gulf Insurance Company. Under his leadership, the Gulf Insurance Company has grown and achieved strategic positioning among its local and regional competitors. He joined the Gulf Insurance Company (GIC) in 2001 with prestigious diversified, and successive working experience and held various management and board level positions in Kuwait. Mr. Al-Sane's diversified professional career started as Internal Auditor at the Kuwait Oil Company, Deputy General Manager of Wafra Real Estate Company; General Manager of Commercial Real Estate Company, Board Member of KIPCO Group; Board Member of United Real Estate Company; and the Chairman of Commercial Markets Complexes Company. Mr. Al Sane holds a BA in Commerce, with an Accounting major from Cairo University - Egypt.



## Haitham Al- Khaled

### Board Member

Mr. Al-Khaled is a Board Member in ALARGAN International Real Estate Company Board of Directors. He began his career with Mobile Telecommunications Company (Zain) as a Communications Engineer and rose through the corporate ladder to the position of CEO Middle East. He ended his 27-year run at Zain as the Chief Strategy and Business Development Officer of this company. With Zain he was instrumental in its regional and international expansion resulting in impressive returns to its shareholders. He also serves as a Board Member in several Kuwaiti companies such as the National Bank of Kuwait and Al-Shall Consulting & Investment Company. Mr. Al-Khaled has over 27 years of experience in the project management and business development fields. Mr. Al-Khaled holds a Bachelor degree in Electrical Engineering from Kuwait University and has completed several executive training courses from the London Business School.



# Chairman's Message



**Khaled Khudair Al-Mashaan**

Chairman & Managing Director



## Dear Shareholders,

On behalf of the board of directors and myself, it is my pleasure to present to you the annual report for the financial year 2013, which reflects the results achieved by the Company across all business segments during the year 2013.

The year 2013 witnessed several positive developments across our business lines, where the political and economic stability in the region contributed to the recovery of the real estate market, as well as supporting the demand for residential and commercial properties. Throughout 2013, the company has been able to achieve outstanding sales in Saudi Arabia, Oman and Bahrain, in addition to completing and delivering several projects in record time.

In order to fulfil our vision and ambitions to become the leading lifestyle innovator by offering unique and affordable real estate products that anticipate community needs, the company started applying a new strategy during 2013, encompassing the following steps:

- Standardizing the working processes and procedures to allow a smooth and timely flow of information between all departments in order to facilitate the process of knowledge transfer and unite the Company's vision.
- Franchising the company's business model through transferring its knowledge, experience, and its ability to provide quality affordable real estate products to existing and new markets.
- Achieving greater access to liquidity, financial solvency, and maintaining a financially flexible structure which enables the company to seize profitable real estate opportunities whenever they arise.

The company began comprehensive restructuring operations, by conducting extensive changes across all departments, to fit in with its strategic direction. This is just one of several steps taken by the company in order to develop a working mechanism that match with the size of our future projects, being implemented through a developed work environment, which will reflect positively on the Company's operational performance in the long run.

The company is currently looking to diversify its cash flow sources through enhancing its existing portfolio of assets by developing properties built on lands leased under a private build, operate & transfer structure (Private BOT).

Below is a brief summary on our achievements during the year 2013:

### **Kuwait:**

- Despite intense competition in the hospitality sector, the company has maintained a steady growth of revenue from its hotels and commercial component rents.

- In line with the Company's strategy to enhance its income generating asset portfolio, the company commenced construction activities for "ALARGAN Square", a retail/commercial complex leased under a private build, operate and transfer (Private BOT) structure. This project will be a landmark income-generating property within its existing portfolio of assets.

- ALARGAN International Real Estate Company has been awarded LEED® Platinum certification, the highest levels of LEED® certifications for Commercial Interiors for its project "ARGAN Business Park" in the Free Trade Zone area, marking the project as the first in Kuwait to receive such recognition. This certification also considered as a strong endorsement on the Company commitment to the highest standards of environmental sustainability and our commitment to strengthen energy efficiency.

### **Kingdom of Saudi Arabia:**

- The company's activity in the Kingdom of Saudi Arabia is focused on offering housing solutions, characterized by a variety of designs and competitive prices, which are in line with the community's purchasing capacity and overall housing needs.

- The company's aim in the Saudi market is to be recognized as the ideal, leading provider of residential homes to the average family, thus our Saudi affiliate is expecting to complete the development of more than 1,200 residential housing units across various projects during 2014. To date, the company has developed 645 residential housing units, and is focusing on minimizing the gap between supply and demand in the Kingdom.

**Oman:**

- The company is working on the development of approximately 650 residential units, across various projects in the Sultanate over the next two years, including 194 housing units which have already been developed during 2013.

- The company began the construction of phase I of "Al Waha" project, an integrated community with residential and commercial components spread over 684,000 square meters in wilayat Barka, and succeeded in selling 90% of the first batch of units during 2013.

- By the end of 2013, the company announced the launch of a new project in Oman "Al Nakheel City" with a total area of 500,000 square meters. The project is classified as an integrated touristic complex (ITC) by the Ministry of Tourism in Oman. A contract has been signed with Crystal Lagoons International Company to build an artificial lake which covers an area of 47,000 square meters. This lake is one of the most important and prominent features of the project and is expected to be completed by 2016.

**Bahrain:**

- The construction of phase I of "ALARGAN Village", the commercial component of the extensive "Jeyoun" project, has been completed and phase II is currently under construction. The project is located within the growing area of Bu Gowa, south west of the capital city of Manama. Leasing operations have begun within the commercial component, and 80% of the residential component has been delivered.

**Business Results:**

ALARGAN International Real Estate Company has ended the year 2013 by achieving a net profit of KD 3.9 million with 15.08 Fils earnings per share, in comparison with KD 4.4 million or 17.09 Fils earnings per share during 2012. The decrease in net profit compared to the previous year doesn't clarify the improvement of the operating performance of the group, where the decrease is resulted mainly from the following:

- The company achieved profits during the previous year, totalling KD 2.1 million from the sale of a stake in ALARGAN Projects – Kingdom of Saudi Arabia (an associate company).

- During 2013, the company incurred taxes in the amount of KD 623 thousand, due to the restructuring of the ownership of the parent company in the same associate company.

The company has also been able to achieve a significant improvement and an increase in its operating profits across all business segments, in comparison to the same period in 2012, through its major activities where profits from real estate projects increased by 73%, and profits from rental proceeds by 37%, as well as profits from resorts increased by 7%.

The total revenues of the group also increased from KD 24.9 million during 2012, to KD 25.3 million during 2013, with an increase of 1.6%, despite the presence of non-recurring profits from the sale of a stake in an associate company during 2012. While total expenses have increased from KD 20.4 million during 2012, to KD 21.3 million in 2013, an increase of 4.4%, due to non-recurring taxes the company incurred with an amount of KD 623 thousand as mentioned earlier.

In addition, the total current assets for the year 2013 increased by 25%, as well as the total assets were up by 12%, while total liabilities for the year 2013 increased by 23% compared to 2012, and the equity attributable to shareholders of the parent company increased by 5.5% in comparison to 2012, after excluding the impact of the

cash dividends by 7% of the nominal value of the shares (7 Fils per share), amounting to KD 1,793,890, which the company has distributed for the financial year ended on December 31, 2012.

The company's financial ratios in 2013 recorded the following figures:

Current Ratio	1.7 times
Leverage Ratio	83.6%
Return on shareholders' equity of the parent company	5.5%
Return on capital	14.6%

The credit rating of the Company was affirmed by the Capital Intelligence Agency at "BBB -" in December 2013, where it was supported with the good financial condition and geographically diversified business model for the company, as well as the enhancement of profit sources. This classification is also supported by the company's improved funding structure and the least dependence on short term borrowing, which leads to the growth of liquidity. As in previous years, social responsibility is still central to the company's mission, as we seek to play an active role in raising environmental, cultural, educational and social awareness, through offering a range of initiatives and programs that enhance the company's contribution to the community, by providing support and assistance in all areas.

Based on the results achieved, the Board of Directors recommended a cash dividend of 7%, from the nominal value of the shares at the rate of 7 Fils per share to shareholders registered in the company records on the date of the General Assembly, in addition to the distribution of a Board members remuneration of KD 30 thousand, for the year ended December 31, 2013.

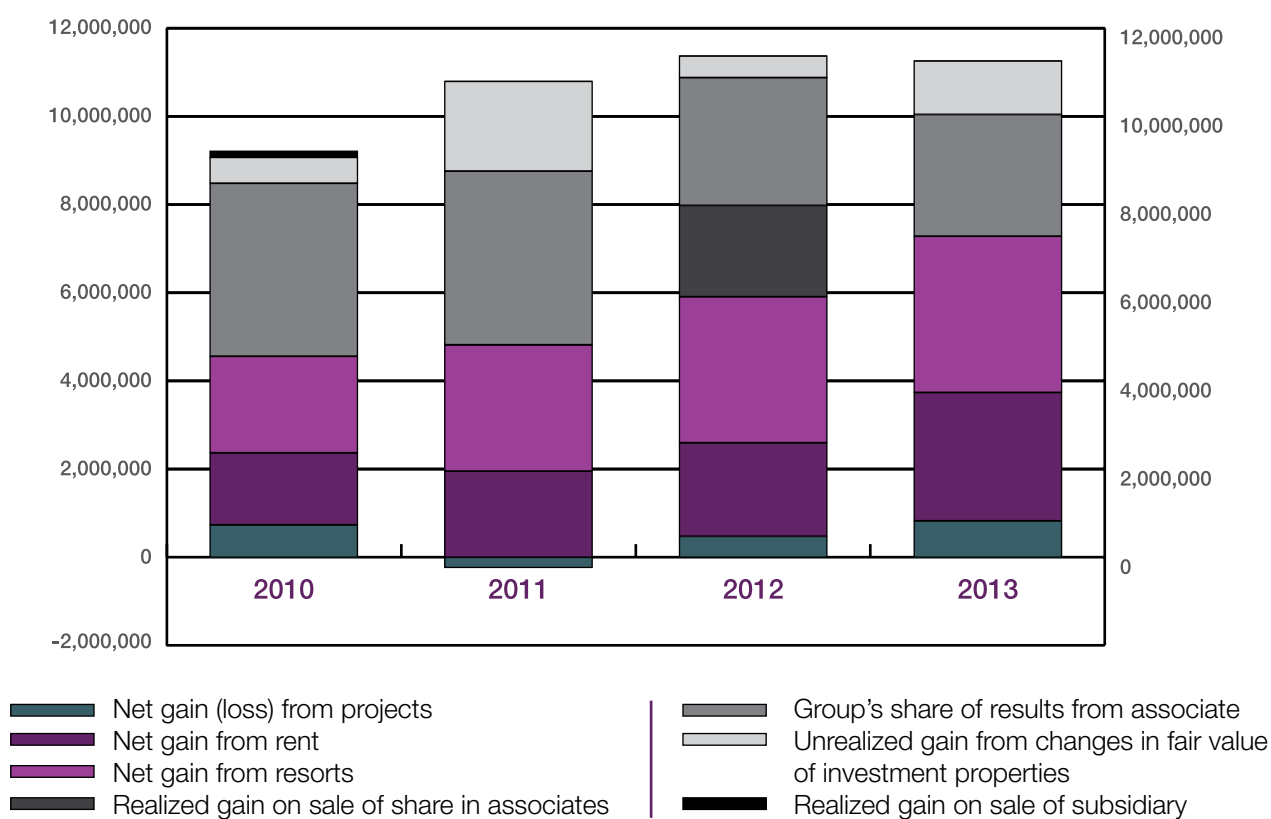
Finally, on behalf of my fellow Board members and the entire team, I extend my sincere thanks and appreciation to our distinguished shareholders for their continued support and trust, which motivates us to work harder in order to achieve the Company's future goals and aspirations. I would also like to thank the Board members, executive management and all employees for their sustained and excellent efforts in developing the Company and moving it to higher levels.

**Khaled Khudair Al-Mashaan**  
Chairman & Managing Director



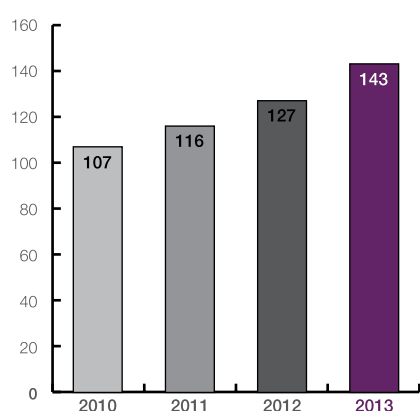
# Financial Highlights

## Operating Gross Profit



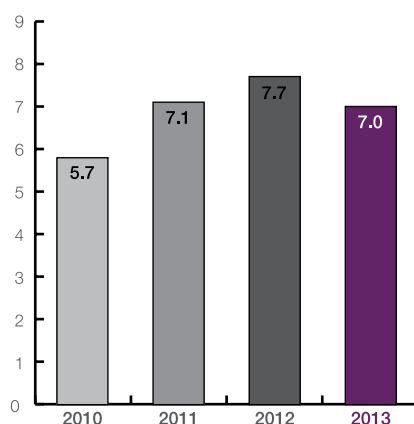
## Total Assets

(KDmn)



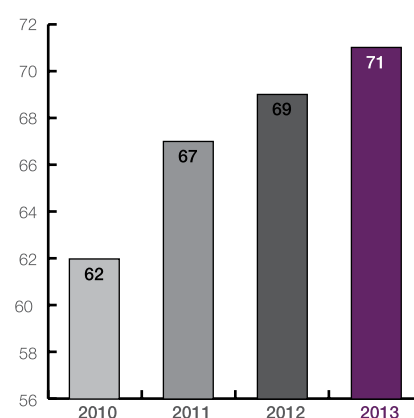
## Operating Profit

(KDmn)



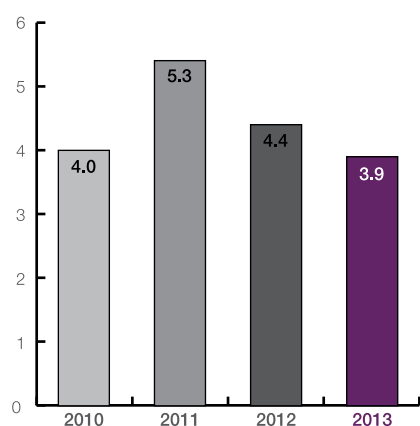
## Shareholders' Equity Attributed to Parent

(KDmn)



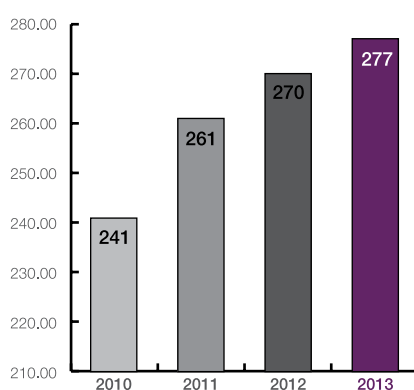
## Net Profit

(KDmn)



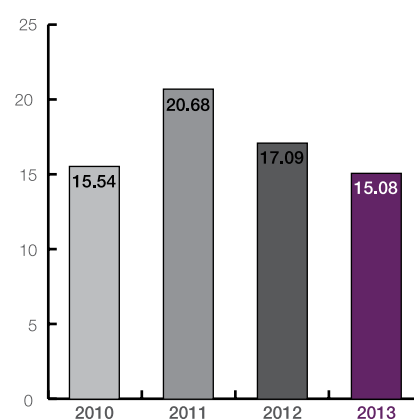
## Book Value per Share

(fils)

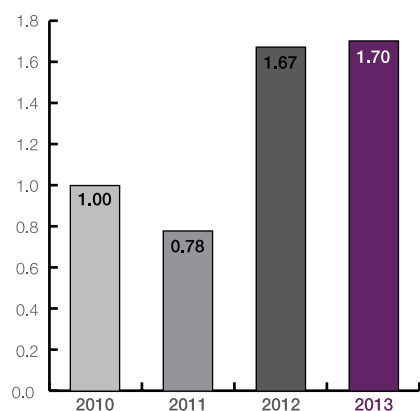


## Earnings per Share

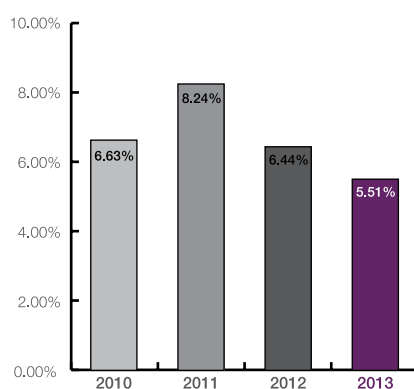
(fils)



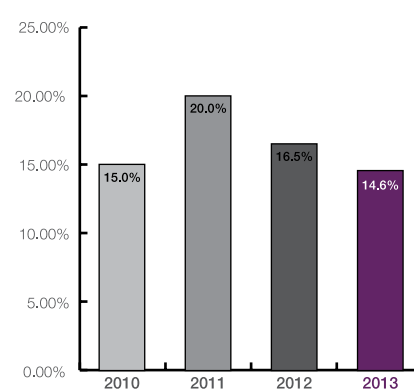
## Current Ratio



## Return on Average Equity



## Return on Capital



# Corporate Governance

ALARGAN believes that corporate governance has become essential in improving performance, as the application of this concept leads to overall improvements in company management, performance and its ability to deal with crises. Based on this, ALARGAN has adopted governance principles in accordance with the standards applied by regulatory authorities. Based on these standards, the company assesses the performance and quality of its products and services, thus creating a state of balance and harmony in the company's relationships with all stakeholders, both internally and externally.

The main purpose behind applying corporate governance practices is to regulate the relationship between all parties in shareholding companies starting from the shareholders and board of directors to executive management in order to avoid expropriation by corporate management at the expense of minority shareholders which will result in improving investor's confidence in the company's performance, and enhance the overall growth.

ALARGAN corporate governance principles is based on building a balanced structure for the board of directors through identifying its duties and responsibilities with full transparency, and ensuring the integrity of financial reports issued by the company, and emphasizing the role of stakeholders, in addition to protecting the interests and rights of shareholders and ensure equal treatment among them.

The company does not overlook the vital role of corporate governance rules in organizing a systematic decision making and stimulating the transparency and credibility of those decisions through timely and clear disclosure of material information and financial position by following the rules of disclosure and transparency, which is considered as a key element in protecting the of shareholders and relevant stakeholders right.

## **Board of directors**

The Board of Directors of ALARGAN International Real Estate is primarily required to act in the best interests of the company through maximizing the value of the firm. Thus, to achieve this objective, the board of directors supervise the performance of the executive management and guide them through the development of key business strategies that leads to the company overall goals. The board overlooks the short and long term plans which are set to expand the future vision of the company. In addition to its multiple duties, the board shall determine the optimal capital structure of the company, and approve estimated budgets and interim and annual financial statements as well as overseeing major capital expenditures for the group and the ownership and disposal of assets, while complying with the legislative laws adopted. Moreover, the board develops the foundations of internal control, showing how they conform to the workflow, and regulates the relationship between all stakeholders.



### Disclosure and transparency

ALARGAN International Real Estate recognizes the importance of adopting disclosure and transparency as essential values to achieve justice and fair treatment to all parties including shareholders, investors and other stakeholders. The company is keen to provide shareholders with statements that include accurate information about the company's activities related to financial performance, strategies and dealings with all parties in accordance with the legislative requirements of disclosure and transparency in order to ensure the highest standards of professionalism and efficiency.

### The Shareholder's Rights

All shareholders of the Company have full rights, where the most important of which is to raise the value of their investments and to participate in General Assembly meetings, as well as voting on decisions, and obtaining their portion of dividend distribution. The company takes into account the principles of parity and equality in dealing with shareholders, and that they are the owners of the company and their ownership should be protected from any violation, according to the rules and procedures.



# Corporate Social Responsibility

ALARGAN International Real Estate Company gives the utmost attention to its corporate social responsibilities (CSR), as the company strongly believes in participating in developing and achieving a sustainable community, thus ALARGAN considers CSR to be one of its main priorities. Ever since its inception, ALARGAN has been keen on demonstrating its commitment to the Kuwaiti society, by offering a range of initiatives and programs that deepen its contribution as a Kuwaiti company in raising the standards of corporate social responsibility within the local community. This is done through offering support and assistance for all activities, in order to engage the participation of community members and raise the level of awareness in many issues which concern the Kuwaiti society, including environmental, cultural, social and educational issues.

## List of activities

### Leadership in Energy and Environmental Design (LEED®)

Since joining the U.S. Green Building Council (USGBC) in 2007, ALARGAN strives to apply the highest standards in the field of energy and environmental design, for buildings, homes and communities that are designed, constructed, maintained and operated for improved environmental and human health performance. In order to assure this extraordinary environmental commitment, ALARGAN's headquarters, "ARGAN Business Park" located in Shuwaikh's - Free Trade Zone area, has been awarded LEED® Platinum certification for Commercial Interiors, marking the project as the first in Kuwait to receive such recognition.



### Kuwait Green Building Council (KGBC)

The increase of global awareness and the urgent need to develop green building practices have created a strong incentive to develop councils concerning the green buildings all over the world. In recognition of the importance of this matter, ALARGAN International Real Estate has worked on the initiative and participated in the establishment of Kuwait Green Buildings with the aim of developing the practices of green building in Kuwait and encouraging more effective use of resources, by using its experience in real estate development, and to develop houses and commercial buildings characterized by reduced energy consumption.

### Recycling Program

Within the framework of increasing awareness with the importance of recycling process as part of the system to maintain the ecological balance, ALARGAN established a comprehensive program in March 2009 to ensure proper disposal of all waste products in the office, by providing special recycling bins to all the company offices. ALARGAN staff participated in this initiative to increase awareness within the office and home, in order to reduce the harmful impact of waste on the environment. The program has achieved great success since its implementation, which has encouraged the company to expand the plan to include other ALARGAN buildings.

### Bayt Abdullah Children's Hospice (BAACH)

ALARGAN continues to provide financial and moral support to Bayt Abdullah Children's Hospice (BAACH), an organization that extends support and help to children who are terminally ill. ALARGAN has taken the responsibility to complete the planting and landscaping work of the surrounding area of the hospital, aiming at creating a pleasant environment for the children.

### "ALARGAN"...Roots of hope

ALARGAN takes its name from the ARGAN Tree, which is known as the "Tree of Hope" as it is the main source of living for the residents of the countries where this rare and generous tree is grown. ALARGAN International Real Estate Company has partnered with the "Kuwait Institute for Scientific Research" (KISR) to plant 10,000 Argan trees in Kuwait. This represents an environmental project with



common interest for scientific and economic organizations, and aims to benefit from this tree, to combat desertification, in addition to enhancing the production of Argan oil.

### Students Training Program

Supporting Kuwaiti youth is one of ALARGAN's main priorities. The company is keen on providing undergraduates with work experience placements, in partnership with Lothan Youth Achievement Center (LOYAC) and the University of Kuwait. The program is based on granting this active segment the unique opportunity to gain valuable, practical experience in a professional environment, in conjunction with their academic achievements, in order to encourage Kuwaiti youth and expand their knowledge as well as enhance their participation in the corporate sector.

### Graduation Projects

In 2013, ALARGAN sponsored the graduate projects for a number of students at the Engineering and Petroleum Colleges at the University of Kuwait. This support comes to reflect the company's eagerness to open up the creativity of the youth, and develop their ideas in line with their future aspirations in their respective academic fields.

### "Eat Healthy Q8" Campaign

ALARGAN sponsored "Together to fight obesity - Eat Healthy Q8", the month long campaign, which was launched by the "Diet Center" on April 18, 2013. The idea behind this was to provide radical solutions to all health problems in the local community. The company encourages students from intermediate schools to adopt healthier lifestyles and diet routines, as well as provide them with information about the benefits of sports and exercise in fighting obesity and maintaining a healthy body.



### ALARGAN and INJAZ Kuwait Partnership

Believing that young people are the most effective and active group in a community, and are the future leaders of tomorrow, ALARGAN is a proud sponsor of INJAZ Kuwait, a Kuwaiti non-profit organization focused on the development of educational programs which enrich entrepreneurial skills and leadership among young people. ALARGAN International Real Estate Company is considered an active member with INJAZ Kuwait, and is represented in its board of directors with two board seats.



### Entrepreneurship Master Class (EMC)

ALARGAN International Real Estate Company sponsored the Entrepreneurship Master Class (EMC) for INJAZ Kuwait, a one day training program which aims at introducing high school students to the concept of self-employment and entrepreneurship, and gives them the opportunity to meet the most prominent businessmen and volunteers from the business community. This program aims to develop the skills of the young Kuwaiti generation and train them to become decision makers in their own future businesses.

# Executive Management

## Ali Khajah

Head of Strategy Implementation  
& Chief of Staff



Mr. Khajah has over 10 years of experience in fields of real estate, corporate finance, investment banking and investments. He began his career at the Industrial and Financial Investments Company in part of the foreign investments team. Mr. Khajah later moved on to Global Investment House (Global), as a member of the Corporate Finance Department. During his time at Global, he worked on issuing and structuring various conventional corporate bonds in excess of USD 480 million, while also listing a number of companies in the Kuwait Stock Exchange. Mr. Khajah was also responsible for arranging numerous Islamic finance deals, managing a Murabaha portfolio exceeding USD 500 million. He eventually moved to the Treasury Department where his responsibilities included arranging proprietary financing and maintaining credit facility relationships with both local and regional banks. In addition to his current role at ALARGAN International, Mr. Khajah serves on the board of several of its affiliate companies in Kuwait. Mr. Khajah holds Bachelors of Arts in the field of Finance from the University of Southern Florida - USA, and has received the Project Management Executive certification from Cornell University. Having passed level II of the Chartered Financial Analyst (CFA) program in 2013, Mr. Khajah is currently a CFA level III candidate for 2014.

## Ghazal Al Mufti

Head of Real Estate  
Development Department



Mrs. Ghazal Al Mufti brings with her over 29 years of experience in architecture, real estate development, project management, marketing & leasing and property management with leading institutions in Kuwait and the MENA region. Eng. Ghazal is the Head of Real Estate Development Department at ALARGAN International Real Estate Company, in addition of being the General Manager of Al Da'am Real Estate Company, one of ALARGAN International subsidiaries. Before joining ALARGAN, Eng. Ghazal was the Head of Business Development Division of United Real Estate Company - Kuwait; where she also, held the position of the General Manager of ALARGAN International from 2003 to 2006, contributing tremendously to the achievements, development and expansion of the business. She was responsible for the overall operation of ALARGAN International in accordance with the company strategies and goals. Prior to that, she has held a number of managerial and executive positions with Century 21 and Projacs as well as other real estate groups in Egypt, Canada and USA. Eng. Ghazal holds a Master degree in Urban Planning from Mc Gill University – Canada, an Advanced Real Estate Management Degree from Harvard University - USA, and a Bachelor of Science in Architecture from Florida University - USA.

## Khaldoon Rashid

Head of Legal Department



Mr. Khaldoon is the Head of Legal Department at ALARGAN. He has over 12 years experience in legal profession and in providing legal advice. Before joining ALARGAN, Mr. Khaldoon worked in a well-known prestigious law firms and leading real estate and investment companies. He worked in Global Investment House (Global) as a Legal Consultant where he was responsible for the company's activities and subsidiaries legal affairs inside and outside Kuwait. Mr. Khaldoon's experience is varied between the provision of legal advice, preparation, drafting and reviewing legal contracts in various fields including corporate, commercial, real estate development, construction and investment contracts as well as commercial agencies, conventional banking and Islamic finance. In addition, he is a member of the Jordanian Bar Syndicate since 2001. Mr. Khaldoon has a Bachelor degree in law from Applied Science University in Amman - Jordan, 1999. He also obtained his Master in Commercial Law from Aberdeen University - Scotland, in 2001.

## Meshaan Al-Meshaan

Head of Business  
Development Department



Mr. Al-Meshaan's main work experience has been in the areas of banking, investment and real estate. Mr. Al-Meshaan began his career in the year 2000 at the National Investors Group (NIG), the private equity subsidiary of the National Bank of Kuwait (NBK). Based in New York, his responsibilities included sourcing and analyzing potential equity and fund investments, performing extensive due diligence on prospective investments, monitoring the groups USD 150 million portfolio using monthly reports and board observer roles. Prior to joining ALARGAN in mid-2006, Mr. Al-Meshaan was part of the Treasury Department at NBK's Head Office in Kuwait, where he gained his ACI Dealing Certificate and was responsible for servicing all conventional and investment, treasury products to the bank's corporate and private clients. Additionally he assisted in the management of the bank's USD 1 billion Money Market Funds. In addition to his current role at ALARGAN International, Mr. Al-Meshaan serves on the board of several of ALARGAN's affiliate companies in Kuwait and the region. He is also active in the local community and serves on the board of a private non-profit organization (NPO), INJAZ Kuwait, which delivers educational programs aimed at inspiring future generations. Mr. Al-Meshaan received a Bachelor of Science in International Business from the University of Denver, Colorado - U.S.A.

**Pierre Abou Khalil**Head of Support  
Services Department

Mr. Abou Khalil has over 15 years of experience in the fields of Human Resources, Administration and IT. He has worked in many countries of the region covering a variety of industries such as Government, Education, Banking, Retail, Wholesale and Real Estate. Prior to joining ALARGAN, Mr. Abou Khalil held the position of Regional HR Manager – Middle East, Levant and GCC with Chalhoub Group where he led the Human Resources operations in 8 countries and played a key role in the expansion of the Group. Prior to that he held the position of HR Manager of Chalhoub Group in Kuwait. Earlier in his career, he was the HR Manager of (ABC) Malls and Department Stores in Lebanon; one of his main achievements with ABC was the successful opening of their flagship (ABC) Mall in Achrafieh - Beirut. On top of leading HR, Administration and IT in ALARGAN, he recently created and is leading the “ERP / Business Process Management” Department that is playing a key role in the implementation of the new strategy of ALARGAN. Mr. Abou Khalil is a member of the Selection Committee / Jury of the “Ecole Supérieure des Affaires – ESA” in Beirut since 2005, he has been teaching Business and Human Resources in several universities in Lebanon and Kuwait; he's also a freelance trainer and is a partner in an HR and Recruitment consultancy firm based in Lebanon. He holds a Bachelor Degree in Computer Sciences, a Master's Degree in Human Resources Management from the University Saint Joseph in Beirut and is currently enrolled in the Global Executive MBA at INSEAD.

**Ramy J. Echo**

Head of Investment Department



Mr. Echo is the Head of Investment Department of ALARGAN International Real Estate Company, overseeing proprietary investments, asset management and project finance. He has over 18 years of experience in real estate, consulting, corporate and investment banking with top tier institutions in the Middle East where he managed and advised on strategy, restructuring, debt and equity financing, acquisitions, divestures, privatizations and private equity investments. Prior to joining ALARGAN, Mr. Echo was the Managing Director of Echo Capital, an investment banking boutique providing financial advisory services to regional institutions. Previously, he was the Head of Corporate Finance at Securities and Investment Company, a leading regionally focused investment bank. Earlier in his career, he advised regional banks and financial regulators with Deloitte Consulting, in addition to financing various projects and corporations with Bank Audi. Mr. Echo holds master's degree in Finance from ESA and ESCP Europe and has completed his executive education at INSEAD. He is currently pursuing an advanced management development program at Harvard.

**Sherif Omara**

Deputy CEO - Finance



Mr. Omara has over 22 years of experience in the field of accounting, finance, and investment. During his career, he has held several high-ranking positions at various leading GCC companies in the investment, finance, leasing, Ijarah, audit fields, as well as other economic activities. Mr. Omara joined ALARGAN in the year 2000 and has restructured the finance department. He is also responsible for monitoring the development of the Group's financial strategies, overseeing the financial and accounting policies, preparing financial statements and other financial reports. In addition, he is supervising and regulating the Group's financial and accounting systems and financing structures. His job responsibilities include arranging financing facilities for the Group. Mr. Omara holds a Bachelor of Commerce degree with an Accounting Major from Ain Shams University, in Egypt.

**Walid Sayed Amin**

Chief Financial Officer



Mr. Walid joined ALARGAN in 2006 bringing with him over 10 years of experience at one of the leading global institutions in accounting, auditing and consultancy services. He has participated in several major auditing engagements covering a variety of industries such as real estate, banking, investment, industrial, manufacturing, retail and oil & gas sector. He has designed accounting systems, internal control systems and provided accounting consultancy services to numerous companies. Mr. Walid has also participated in the preparation of several individual and corporate claims for compensation resulting from the Iraqi invasion of Kuwait submitted to the United Nations Compensation Committee. He has also coordinated the listing of several shareholding companies including the preparation of the related prospectuses in the Kuwait Stock Exchange. Mr. Walid holds a Bachelor of Commerce Degree with an Accounting major from Cairo University in Egypt.

# Management Discussion and Analysis

Since its inception, ALARGAN International Real Estate Company has primarily focused on providing unique real estate products to the various markets in which it operates. The company has gained extensive knowledge in an array of property types, ranging from residential buildings, to commercial projects, and urban integrated communities, tourism development and mixed use projects. During 2013, the company has made significant achievements across all levels, which demonstrated the success of its strategic choices and the quality of its assets and its excellent performance.

## State of Kuwait

### Real Estate Development in Kuwait

ALARGAN International Real Estate encourages cooperation between its subsidiaries and associates in the constant quest to add unique future projects which support the process of development and continued growth of the company. ALARGAN continues to assess several investment opportunities, which are characterized by strategic locations in various regions of Kuwait. As a part of its investment strategy, ALARGAN is seeking to strengthen its portfolio of income generating assets, by developing “ALARGAN Square”, a retail/commercial complex with a total area of 7,000 square meters, according to a long term private build, operate and transfer (BOT) contract. This project will be a landmark income-generating property within its existing portfolio of assets with an expected built up area of 13,000 square meters and leasable area of 10,000 square meters.

### ARGANA Company for Resorts and Hotels

ARGANA Resorts and Hotels Company was founded in 2006 as the investment arm of ALARGAN in the Hotels and Hospitality sector, currently holding its hospitality assets in Kuwait. The company's diversified asset portfolio includes 306 keys “Movenpick Hotel and Resort Al Bida'a” with the “C CLUB”, an exclusive member's only club, “Rimal Hotel and Resort” which has 115 hotel rooms, and “ARGANA Walk” which is a modern lifestyle commercial strip. All the company's assets are currently operational and generating recurrent revenue.

Despite the intensive competition in the hospitality sector, the company has continued to increase the volume of its hotels and commercial strip revenues during 2013, where ARGANA's revenues increased to KD 12.55 million, compared to KD 10.55 million during the last year, marking a 19% increase. Also, the company's net profit rose to KD 6.6 million compared to KD 4.9 million in 2012, with an increase of 33.7%. On the other hand, the operating profit resulted from increased rental of retail space to KD 2.88 million, compared to KD 2.17 million in 2012, an increase of 32%. While the resorts operating profit has increased from KD 3.3 million to KD 3.5 million, an increase of 6.8%.

### ALARGAN Gulf Real Estate Services

ALARGAN Gulf Company was established in 2006 as an affiliate of ALARGAN International Real Estate, by spinning off its sales and property management department. The company has succeeded in working independently and expanding to the Oman and Bahrain markets. ALARGAN Gulf offers property management, brokerage services and market research. The company was shortlisted to participate in a number of property management tenders and has recently been focusing on delivering its services to the public sector.



During the year 2013, ALARGAN Gulf has successfully leased 98% of the total commercial space in “ARGANA Walk” Project, in Al Beda’a. Aligned with the company’s expanding strategy; an agreement was signed with real estate developers and marketing companies in Spain and Turkey, in order to market their units in the GCC markets.

Despite the challenging market conditions in Bahrain, the company was able to sell 80% of the residential units of the “Jeyoun” project. It is also worth mentioning that the company has sold 6 commercial plots, with a total area of 12,130 square meters in the Saar area, at a total value of more than KD 2.2 million.

In the Sultanate of Oman, the company has launched a marketing campaign for the first batch of phase I of “Al Waha” Project, which comprise of 33 residential units. The project is an integrated community with residential and commercial components. The company has successfully sold 30 units out of the total number of the first batch till the end of 2013. Regarding “Beyout AlFaye” project, the marketing campaign for phase II began in 2013, and ALARGAN sales team was able to sell 15 out of a total 78 units.

ALARGAN Gulf Real Estate Services was able to achieve a total sales volume of KD 10 million in the three countries, where the Sultanate of Oman sales alone recorded KD 6.5 million.

### **ALARGAN National Company for General Trading and Contracting**

ALARGAN National has maintained its reputation as a leader in the field of building and construction throughout Kuwait, due to its commitment to the highest industry standards. During 2013, the company managed to achieve a significant improvement in total revenues, which reached KD 8,150,983, an increase of 3.5% compared to last year. The company also increased its earnings to KD 156,253 during the same period. The projects under development were worth around KD 23.7 million, an increase of 21% from 2012.

The company was awarded a second degree rating in the field of construction by the Ministry of Municipal Affairs, the Ministry Agency for the classification of contractors in KSA. This classification is considered a qualitative addition to the classifications obtained by the company from the Central Tenders Committee, which also upgraded during the year 2013 to the second class in civil and structural projects, to the third class in the field of electrical work, and the fourth class in the field of air conditioning work. ALARGAN National Company continues the successful execution of contracting work for various existing projects, for both public and private sectors.

### **ALARGAN Real Estate Project Management Company**

In 2013, ALARGAN Real Estate project Management Company provided design services, engineering assistance and project management for several real estate projects inside and outside of Kuwait. The company has completed the submission of the master plan of “Barka Resort” project that is expected to be re-named as “Al Nakheel City”, to obtain final approvals from Ministry of Tourism in Oman for development works in the project. The Omani Ministry of Tourism classified the project as an Integrated Tourism Complex (ITC). The Architects team also obtained the final approvals for “Al Waha” project which provides a variety of residential and commercial real estate including apartments, double apartments and villas, in addition to many essential services and facilities which would make it an integrated community. Finally, the final designs of “ALARGAN Square” project have been completed and all necessary approvals have been obtained. Furthermore, the team participated in providing engineering assistance to obtain a leadership certificate in LEED® that represents the group’s commitment to establishing an environment designed according to the highest international standards, in harmony with the nature and enhancing quality of life.



## Kingdom of Bahrain

### ALARGAN Bahrain

Despite the challenges witnessed throughout Bahrain during the last few years and the negative impact this has on Bahrain's real estate market, ALARGAN Bahrain Company continued to achieve its goal in developing residential properties for the middle-income market segment. The secret behind the company's success in Bahrain is simply that ALARGAN Bahrain seeks to bring high quality real estate products to the market at affordable prices, among limited real estate supply and a continuous increase in the demand driven by continuous government reforms.

The construction of phase I of "ALARGAN Village", the commercial component of the extensive "Jeyoun" project has been completed and phase II is currently under construction. The project is located within the growing area of Bu Gowa. The leasing process has begun within the commercial component, while 80% of the residential component has been delivered.

## Oman

### ALARGAN TOWELL Investment Company

Since its inception in 2003, ALARGAN TOWELL Investment Company has expanded to include leisure, tourism and mixed-use developments with projects accumulating over 2.186 million square meters. Despite the intensive competition in the Omani market, the company has succeeded in providing the Omani families with innovative housing solutions at competitive prices, where the company is developing approximately 650 housing units across various projects in the Sultanate throughout the next two years, including 194 housing units which have been completely developed during 2013.

In terms of real estate projects in the Sultanate, the company was able to start the construction of phase I of "Al Waha" Project, selling 90% of phase I during 2013, which amounts to 33 villas in total. The project is considered as an integrated community with residential components and commercial buildings that promote the concept of excellence and fulfil the various needs of the Omani families, spread over 684, 000 square meters in wilayat Barka.

As for "Beyout AlFaye", the commercial buildings have been completed, and phase II has begun where the completion percentage of the project exceeds 60% and construction activities are currently ongoing.

By the end of 2013, the company launched a new project "Al Nakheel City", which was classified as an integrated touristic complex (ITC) by the Omani Ministry Of Tourism, with a total area of 500,000 square meters. A contract has been signed with Crystal Lagoons International Company to build an artificial lake covering an area of 47,000 square meters, considered as one of the most prominent features of the project. The crystal lagoon is expected to be completely developed in 2016. During 2013, the company also signed a Memorandum of Understanding (MOU) to study the development of "Sorouj Commercial Complex", in the Sultanate of Oman, which is expected to have a leasable area of 21,000 square meters, and a built up area of 29,000 square meters.

## Kingdom of Saudi Arabia

### ALARGAN Projects Company

Since its inception in 2006, ALARGAN Projects Company has adopted a clear strategy based on developing housing solutions characterized by variety of designs and competitive prices, which are in line with the Saudi market's purchasing capacity and housing needs. The company has specialized in the development of integral residential neighborhoods, which include multiple types of villas and apartments in an environment containing supportive services such as mosques, schools and commercial centers, in addition to allocating green spaces to reflect the aesthetic aspect of the community.

To achieve the company's aim to be recognized as the ideal, leading provider of residential homes to the average family, ALARGAN Projects Company has continued its efforts in implementing its strategic

plan for the construction and promotion of growth opportunities, through property management and the development of residential units and lands, in a flexible manner consistent with the market conditions. In 2013, the company has developed 645 residential housing units, and is expected to complete the development of more than 1,200 residential housing units across various projects during 2014. Also during 2013, the total assets of the company have increased by 56% to reach SR 2.179 million compared to last year. In addition, the company has recorded an increase in the profit margin rate of 30.2%, in comparison with 22.25% for the previous year, which indicates an improvement in the company's operating performance.

With regards to the various projects in the Kingdom, ALARGAN Projects has finalized the model apartments for "Manazel Qurtoba I" project during the first quarter of 2013, to enable potential customers to view live apartment designs. 151 residential apartments were sold, and there are currently 755 apartments under development, with a completion percentage exceeding 80%. As for "Manazel Qurtoba II" project, 17% of infrastructure has been completed. In addition, 176 villas in "Murjana" project in Dammam have been developed and sold, as well as the completion of 85% of development activities for the remaining villas of the project. Regarding "Al Suhoul" project in Al Jubail, 60% of phase I of the project has been completed, and the construction activities are still in progress. Furthermore, the company opened a new sales office and display villas for the clients of "Al Murooj" project in Yanbu during March 2013, where the units of phase I are expected to be sold and delivered during the first quarter of 2014. The infrastructure of "Al Rehab" project in Al Khobar have been accomplished, and the development stage of residential units is set to begin during the second half of 2014. On the other hand, the infrastructure development began in 2013 for "Al Janadriah" project in Al Riyadh. As for the "Green Oasis" project, the residential development phase began at the end of 2013, in addition to the completion of about 20% of infrastructure activities.

It is worth mentioning that ALARGAN Projects Company have been awarded by the Ministry of Housing "Best Developer of Housing Project for 2013", for developing "Manazel Qurtoba II" project, which contains 558 villas and residential apartments, and the "Largest Housing Project" for "Al Sohoul" project. ALARGAN has also claimed the quality Award from "BID" organization, during a ceremony which was held in Geneva City in September 2013. As a commitment from ALARGAN Projects Company to serve its customers after the sale process, the company has signed joint agreements with a number of the leading furniture and appliances companies, to offer special discounts to ALARGAN customers.



**Board Members Undertaking Regarding the Annual Financial Statements of ALARGAN International Real Estate Company - K.S.C. (Public) for the year ended December 31, 2013**

Dear shareholders,

As per the Capital Markets Authority regulations, rule 4, principle (1/ 4) related to ensuring the integrity of the financial reports, we hereby acknowledge that the financial statements of the company for the year ended December 31, 2013 presented fairly and have been prepared in accordance with International Financial Reporting Standards.

With kindest regards,

Khaled Al Mashaan  
Chairman and Managing Director

Hamad Al-Mudhaf  
Vice Chairman

Farqad Al Sane  
Board Member

Abdulaziz Al-Abdulrazaq  
Board Member

Haitham Al- Khaled  
Board Member

Faisal Al-Mashaan  
Board Member



# Consolidated Financial Statements

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**AL-WAHA**  
AUDITING OFFICE  
ALI OWAID RUKHAEYES

Member of The International Group of Accounting Firms

P.O. Box 27387 Safat  
13134 - State of Kuwait  
Telephone: (965) 22423415  
Facsimile : (965) 22423417



**RSM Albazie & Co.**

Public Accountants

Kuwait Airways Building, 7th floor, Shuhada Street,  
P.O. Box 2115, Safat - 13022, State of Kuwait  
T +965 22961000 F +965 22412761  
E mail@albazie.com W www.albazie.com

The Shareholders  
Al Argan International Real Estate Company - K.S.C. (Public)  
State of Kuwait

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Argan International Real Estate Company - K.S.C. (Public) (the Parent Company) and subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the consolidated financial Statements

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

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 Al Argan International Real Estate Company - K.S.C. (Public) (the Parent Company) and subsidiaries (the Group) as of December 31, 2013, and its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards.

### Report on other Legal and Regulatory Requirements

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

**Ali Owaid Rukheyes**  
Licence No.- 72A  
Member of the International  
Group Of Accounting Firms

**Dr. Shuaib A. Shuaib**  
Licence No. 33-A  
RSM Albazie & Co.

**State of Kuwait**  
March 26, 2014



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013 (All amounts are in Kuwaiti Dinars)

ANNUAL REPORT 2013

ALARGAN International Real Estate Company  
K.S.C. (PUBLIC) & Subsidiaries

ASSETS	Note	2013	2012
<b>Current assets:</b>			
Cash and cash equivalents	3	12,317,981	5,872,664
Murabaha investments	4	805,867	805,867
Due from customers for contract works	5	3,319,472	2,313,383
Accounts receivable and other debit balances	6	7,076,011	6,399,030
Due from related parties – current portion	7	8,482,595	8,554,470
Land held for trading	8	8,193,487	8,046,115
Inventory	9	301,491	289,633
<b>Total current assets</b>		<b>40,496,904</b>	<b>32,281,162</b>
Due from related parties – non-current portion	7	11,009,898	10,811,962
Investment in associates	10	25,844,759	24,333,665
Investment in unconsolidated subsidiaries		29,358	121,847
Investments available for sale	11	495,464	691,279
Development Properties	12	2,938,072	-
Investment properties	13	58,868,532	55,687,504
Right of utilization of land for development		111,640	124,520
<b>Fixed assets</b>	14	<b>2,960,272</b>	<b>3,254,999</b>
<b>Total assets</b>		<b>142,754,899</b>	<b>127,306,938</b>

LIABILITIES AND EQUITY			
<b>Current liabilities:</b>			
Due to banks	15	1,156,764	-
Short term loans installments	16	3,427,568	7,658,667
Short term Murabaha contract installment	17	11,363,259	6,139,021
Due to customers for contract works	5	74,531	94,351
Accounts payable and other credit balances	18	7,615,914	5,276,296
Dividends payable	19	116,587	119,347
<b>Total current liabilities</b>		<b>23,754,623</b>	<b>19,287,682</b>
Long term loans installments	16	27,000,000	9,888,000
Long term Murabaha contract installments	17	237,735	9,132,692
Long term bonds	20	16,298,838	16,237,447
Due to related parties – non-current portion	7	2,367,023	1,919,395
Provision for indemnity	21	1,267,785	1,001,026
<b>Total liabilities</b>		<b>70,926,004</b>	<b>57,466,242</b>
<b>Equity:</b>			
Share capital	22	26,500,000	26,500,000
Share premium	23	15,811,095	15,811,095
Statutory reserve	24	5,410,141	5,011,607
Voluntary reserve	25	4,681,171	4,282,637
Treasury shares	27	(3,430,274)	(3,420,920)
Cumulative changes in fair value		(56,065)	44,774
Foreign currency translation adjustments		(411,237)	(465,285)
Group's share of other comprehensive income from associates		12,408	27,250
Retained earnings		22,588,773	21,315,569
<b>Equity attributable to shareholders of the Parent Company</b>		<b>71,106,012</b>	<b>69,106,727</b>
Non-controlling interest		722,883	733,969
<b>Total equity</b>		<b>71,828,895</b>	<b>69,840,696</b>
<b>Total liabilities and equity</b>		<b>142,754,899</b>	<b>127,306,938</b>

The accompanying notes (1) to (44) form an integral part of the consolidated financial statements



Khaled Khudair Mashaan Khudair Al-Mashaan

Chairman



Hamad Abdullah Gasem Al Mudaf

Vice Chairman



	Note	2013	2012
Net gain from projects	28	828,111	477,555
Net gain from rents	29	2,908,111	2,119,712
Net gain from resorts	30	3,540,926	3,308,127
Group's share of results from associates	10	2,758,369	2,896,765
Gain from partial sale of associate		-	2,068,406
Unrealized gain from changes in fair value of investment properties	13 - a	1,217,841	493,268
Operating gross profit		11,253,358	11,363,833
General and administrative expenses	31	(4,098,575)	(3,481,292)
Depreciation and amortization		(172,389)	(147,369)
Operating profit		6,982,394	7,735,172
Net investment (loss) income	32	(78,960)	22,328
Interest income		17,042	48,325
Finance charges		(2,860,248)	(3,263,429)
Provision for doubtful debts	6 - b	(9,253)	(7,869)
Gain on sale of fixed assets		2,241	27,344
Foreign exchange gain		1,847	12,414
Other revenue		794	1,002
Profit for the year before contribution to National Labor Support Tax and Board of Directors' remuneration		4,055,857	4,575,287
National Labor Support Tax	34	(120,946)	(118,990)
Board of Directors' remuneration	36	-	(30,000)
Net profit for the year		3,934,911	4,426,297
Attributable to:			
Shareholders of the parent company		3,864,390	4,378,373
Non-controlling interest		70,521	47,924
Net profit for the year		3,934,911	4,426,297
Earnings per share related to the shareholders of the Parent Company (fils)	37	15.08	17.09

The accompanying notes (1) to (44) form an integral part of the consolidated financial statements



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013 (All amounts are in Kuwaiti Dinars)

ANNUAL REPORT 2013

ALARGAN International Real Estate Company  
K.S.C. (PUBLIC) & Subsidiaries

	Note	2013	2012
Net profit for the year		3,934,911	4,426,297
<b>Other comprehensive (loss) income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Changes in fair value of investments available for sale	11	(100,839)	(26,775)
Foreign currency translation adjustments		54,048	203,446
Reversal of foreign currency translation adjustments due to partial sale of an associate		-	114,962
Group's share of changes in other comprehensive income from associates	10	(12,555)	32,650
Other comprehensive (loss) income for the year		(59,346)	324,283
Total comprehensive income for the year		3,875,565	4,750,580
Attributable to:			
Shareholders of the parent company		3,802,757	4,701,392
Non-controlling interests		72,808	49,188
Total comprehensive income for the year		3,875,565	4,750,580

The accompanying notes (1) to (44) form an integral part of the consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013 (All amounts are in Kuwaiti Dinars)

Equity attributable to shareholders of the parent company

	Capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Cumulative changes in fair value	Foreign currency translation adjustments	Group's share of other comprehensive income from associates	Retained earnings	Sub total	Non-controlling interest	Total
Balance at December 31, 2011	26,500,000	15,811,095	4,558,871	3,829,901	(3,420,920)	71,549	(783,693)	(4,136)	20,405,368	66,968,035	684,781	67,652,816
Total comprehensive (loss) income for the year	-	-	-	-	-	(26,775)	318,408	31,386	4,378,373	4,701,392	49,188	4,750,580
Transferred to reserves	-	-	452,736	452,736	-	-	-	-	(905,472)	-	-	-
Cash dividend 10% - (Note 19)	-	-	-	-	-	-	-	-	(2,562,700)	(2,562,700)	-	(2,562,700)
Balance at December 31, 2012	26,500,000	15,811,095	5,011,607	4,282,637	(3,420,920)	44,774	(465,285)	27,250	21,315,569	69,106,727	733,969	69,840,696
Total comprehensive (loss) income for the year	-	-	-	-	-	(100,839)	54,048	(14,842)	3,864,390	3,802,757	72,808	3,875,565
Dividend to non – controlling interest	-	-	-	-	-	-	-	-	-	-	(60,000)	(60,000)
Effect of acquisition of additional ownership interest of subsidiary (2-B-1)	-	-	-	-	-	-	-	-	-	-	(23,894)	(23,894)
Purchase of treasury shares	-	-	-	-	(9,725)	-	-	-	-	(9,725)	-	(9,725)
Sales of treasury shares	-	-	-	-	371	-	-	-	(228)	143	-	143
Transferred to reserves	-	-	398,534	398,534	-	-	-	-	(797,068)	-	-	-
Cash dividends 7% (Note 19)	-	-	-	-	-	-	-	-	(1,793,890)	(1,793,890)	-	(1,793,890)
Balance at December 31, 2013	26,500,000	15,811,095	5,410,141	4,681,171	(3,430,274)	(56,065)	(411,237)	12,408	22,588,773	71,106,012	722,883	71,828,895

The accompanying notes (1) to (44) form an integral part of the consolidated financial statements



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013 (All amounts are in Kuwaiti Dinars)

ANNUAL REPORT 2013

ALARGAN International Real Estate Company  
K.S.C. (PUBLIC) & Subsidiaries

	Note	2013	2012
<b>Cash flows from operating activities:</b>			
Profit for the year before contribution to NLST and Board of director's remuneration		4,055,857	4,575,287
Adjustments:			
Depreciation and amortization		645,417	654,060
Group's share of results from associates		(2,758,369)	(2,896,765)
Gain from partial sale of associate		-	(2,068,406)
Unrealized gain from changes in fair value of investment properties		(1,217,841)	(493,268)
Net investment loss (income)		78,960	(22,328)
Provision for doubtful debts		9,253	7,869
Finance charges		2,860,248	3,263,429
Gain on sale of fixed assets		(2,241)	(27,344)
Interest income		(17,042)	(48,325)
Provision for indemnity		354,093	301,264
Foreign currency translation adjustments		(48,687)	151,775
		<b>3,959,648</b>	<b>3,397,248</b>
Changes in operating assets and liabilities:			
Due from (to) customers for contract works		(1,025,909)	(1,561,334)
Accounts receivable and other debit balances		(686,234)	(2,390,930)
Due from related parties		(879,587)	(5,411,516)
Inventory		(11,858)	(25,132)
Accounts payable and other credit balances		992,062	27,074
Cash generated from (used in) operations		<b>2,348,122</b>	<b>(5,964,590)</b>
Indemnity paid		(86,717)	(73,614)
Paid to KFAS		-	(83,927)
Paid to NLST		-	(140,189)
Paid to Board of Directors' remuneration		(30,000)	(25,000)
Net cash generated from (used in) operating activities		<b>2,231,405</b>	<b>(6,287,320)</b>
<b>Cash flows from investing activities:</b>			
Paid for purchase of land held for trading		(124,551)	(13,743)
Paid for purchase of investment available for sale		-	(8,419)
Paid for investment in unconsolidated subsidiaries		(29,358)	(121,847)
Paid for acquisition of additional ownership interest of subsidiary		(23,894)	-
Paid for purchase of development properties		(1,531,062)	-
Paid for purchase of investment properties		(1,963,187)	(519,892)
Paid for purchase of fixed assets		(348,500)	(428,040)
Proceeds from sale of fixed assets		12,931	29,662
Proceeds from partial sale of an associate		-	4,414,348
Dividend income received from investment in associates		1,283,213	984,912
Dividend income received from Investments available for sale		16,016	85,116
Interest income received		17,042	48,325
Net cash (used in) generated from investing activities		<b>(2,691,350)</b>	<b>4,470,422</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)**

FOR THE YEAR ENDED DECEMBER 31, 2013 (All amounts are in Kuwaiti Dinars)

	Note	2013	2012
<b>Cash flows from financing activities:</b>			
Net movement in due to banks		1,156,764	(1,188,526)
Net movement in loans installments		12,880,901	(305,120)
Net movement in Murabaha contracts installments		(4,128,450)	(2,123,142)
Net movement in bonds		61,391	16,237,447
Dividends paid		(1,796,650)	(2,479,851)
Paid for purchase of treasury shares		(9,725)	-
Proceeds from sale of treasury shares		143	-
Dividend to non-controlling interests		(60,000)	-
Net movement in due to related parties		448,815	(518,995)
Finance charges paid		(1,769,774)	(2,518,843)
Net cash generated from financing activities		6,783,415	7,102,970
Net increase in cash and cash equivalents		6,323,470	5,286,072
Effect of consolidation of subsidiaries		121,847	-
Cash and cash equivalents at beginning of the year		5,872,664	586,592
Cash and cash equivalents at end of the year	3	12,317,981	5,872,664

The accompanying notes (1) to (44) form an integral part of the consolidated financial statements



## 1. Incorporation and activities of the parent company

Al Argan International Real Estate Co. - K.S.C. (Closed), was incorporated as per Articles of Association of a Kuwaiti Shareholding Company (Closed) authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 819/Volume 1 dated March 5, 2002. The incorporation General Assembly for the Company was held on April 8, 2002 and declared the final incorporation of the Company. The Parent Company was registered in the commercial register under Ref. No. 88093.

### The main activities of the Parent Company are:

1. Owning, buying and selling real estates and lands and developing them in favour of the parent company inside and outside the state of Kuwait, also managing properties for others without violating the articles stipulated in the existing laws that prohibit the trading in private residential plots as stipulated in those laws.
2. Owning, buying and selling real estates companies' shares only for the benefit of the parent company inside and outside Kuwait.
3. Conducting all kinds of real estates studies and consulting in accordance with the terms required to perform such service.
4. Performing maintenance works related to buildings and real estates owned by the parent company which includes maintenance work, execution of civil, mechanical, electrical, elevators work, and air conditioning which assure the safety of the buildings.
5. Organizing real estate exhibitions related to the Company's real estate projects according to Ministry's rules.
6. Establishing the real estate auctions in accordance with the Ministry's rules.
7. Owning and managing commercial shops and housing complexes.
8. Trading in construction materials and equipments.
9. Performing real estate construction which includes civil, mechanical, electrical, sanitary, elevators, air conditioning, aluminum and carpentry contracting work for real estates owned by the parent company and by others.
10. Importing all construction equipment related to the parent company's works.
11. Owning, managing, renting and leasing hotels, health clubs and touristic resorts.
12. Managing, operating, investing, renting and leasing hotels, clubs, motels, hospitality houses, rest houses, parks, gardens, exhibitions, restaurants, cafeterias, housing complexes, touristic and health resorts, entertainment and sports projects and shops at all levels and grades including all main and auxiliary services and any other related services.
13. Establishing and managing investment funds (after the Central Bank of Kuwait approval).
14. Direct contribution in infrastructure projects for areas, housing, commercial and industrial projects under BOT system (build, operate, transfer) and managing real estate facilities under BOT system.
15. Using the available financial surplus of the company by investing them in portfolios managed by specialized companies and entities.

The Parent Company is allowed to conduct the above-mentioned activities inside or outside the State of Kuwait by its own or as an agent for other parties. The Company may have an interest or in any way associate itself with other institutions practicing activities similar to its activities or which may assist the Company in achieving its objective in Kuwait and abroad, and may establish, participate in or acquire these institutions or have them affiliated to it.

The Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended by Decree Law No. 97 of 2013 (the Decree). The Executive Regulation of the new amended law was issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the executive regulation, the companies have one year from the date of publishing the executive regulation to comply with the new amended law.

The Company's registered address is P.O. Box 8904, Al-Salmiya 22060, State of Kuwait.

The Parent Company has 63 employees as of December 31, 2013 (2012 – 57 employees).



The consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2014. The accompanying consolidated financial statements are subject for approval from the parent company's shareholders' General Assembly Meeting. The shareholders' General Assembly has the power to amend these consolidated financial statements after issuance

## **2. Significant accounting policies**

The accompanying consolidated financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the requirements of the related Ministerial Decision No. 18 for the year 1990. Significant accounting policies are summarized as follows:

### **A) Basis of preparation:**

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2013:

### **IAS 1 Presentation of items of other comprehensive income**

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

- a) Items that will not be reclassified, subsequently to consolidated statement of profit or loss and
- b) Items that may be reclassified to consolidated statement of profit or loss when specific conditions are met.

The amendments are effective for annual periods beginning on or after July 1, 2012.

### **IAS 16 Property, plant and equipment**

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventories, otherwise if they meet definition of inventories as per IAS 2.

The amendments are effective for annual periods beginning on or after January 1, 2013.

### **IAS 28 Investments in associates and joint ventures**

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

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

### **IFRS 7 offsetting financial assets and financial liabilities and the related disclosures**

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments are effective for annual periods beginning on or after January 1, 2013.

### **IFRS 10 Consolidated Financial Statements**

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

This standard is effective for annual periods beginning on or after 1 January 2013.



## **IFRS 12 Disclosure of Interests in Other Entities**

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

IFRS 12 is effective for annual periods beginning on or after 1 January 2013.

## **IFRS 13 Fair Value Measurement**

This IFRS

- a) Defines fair value
- b) Sets out in a single IFRS a framework for measuring fair value and
- c) Requires disclosures about fair value measurements.

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

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

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

## **Standards and Interpretations issued but not effective**

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

## **Amendments to IAS 32 offsetting financial assets and financial liabilities**

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement". These are effective for annual periods beginning on or after January 1, 2014.

## **IFRS 9 Financial Instruments**

The standard, which was earlier effective for annual periods beginning on or after January 1, 2015 and now deferred specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

## **Amendments to IFRS 10, IFRS 12 Investment Entities**

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2014.

**B) Principles of consolidation:**

The consolidated financial statements include the financial statements of Al Argan International Real Estate Company - K.S.C. (Public) and its subsidiaries as follows:

Name of Subsidiaries	Country of incorporation	Percentage of holding	
		2013	2012
1. Al Argan National General Trading and Contracting Co.- W.L.L. and the following subsidiaries:	Kuwait	99%	99%
1A. Al Argan National Contracting Co. – O.P.C.	Bahrain	100%	100%
1B. Al Argan for Swimming Pools Co. – W.L.L.	Kuwait	99.80%	99.80%
1C. Al Argan for Heavy Equipments Co. – W.L.L.	Kuwait	99.80%	99.80%
2. Argana for Resorts and Hotels Co. - K.S.C.(Closed) and the following subsidiary:	Kuwait	99.95%	99.95%
2A. Coast Hotel Co. – W.L.L.	Kuwait	99.99%	99.99%
3. Al Jood Holding Co. – B.S.C.	Bahrain	99%	99%
4. Al Argan Investment Real Estate Co. – E.S.C.	Egypt	98%	98%
5. Al Argan Holding Co.- K.S.C.(Holding)	Kuwait	99%	99%
6. Health Plus Trading Co. – W.L.L.	Kuwait	60%	55%
7. Al Argan International Real Estate Limited Company	United Kingdom	100%	100%
8. Al Argan Landscaping Company – W.L.L.	Kuwait	99.67%	99.67%
9. Al Argan Gulf Real Estate Services – K.S.C. (Closed)	Kuwait	50%	50%
10. Al Argan Real Estate Project Management Company – K.S.C. (Closed)	Kuwait	50%	50%
11. Shams Al Fouz Real Estate Co. – W.L.L.	Bahrain	99%	99%
12. Telal Alquom Real Estate Co. O.S.C.	Oman	99.50%	-
13. Support Real Estate Co. – W.L.L.	Kuwait	99.99%	-
14. Jenan United Real Estate Co. – W.L.L.	Kuwait	99.99%	-
15. Masaken National Co. – W.L.L.	Saudi Arabia	99.95%	-
16. GCC Property Fund I	Saudi Arabia	99.99%	-

There are no subsidiaries which have material non - controlling interests.

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

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

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

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

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



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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- 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; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.

During the year ended December 31, 2013, the Parent Company did the following:

1. Acquired additional 5% ownership interest in Health Plus Trading Co. – W.L.L. which was previously a 55% owned subsidiary, accordingly the Parent Company currently owns 60% in this company. The acquisition transaction was done in the amount of KD 141,027 (KD 23,894 represents the carrying value for the units purchased in addition to an amount of KD 117,133 which represents a credit current account waived to the Parent Company by the seller).

The effect of consolidating for the additional units acquired during the year ended December 31, 2013, are not material to the Group to be disclosed.

2. Consolidated the financial statements of:

- a. Telal Alqurom Real Estate Co. - O.S.C. – Sultanate of Oman.
- b. Support Real Estate Co. – W.L.L – state of Kuwait.
- c. Jenan United Real Estate Co. – W.L.L.– state of Kuwait.
- d. Masaken National Co.– W.L.L. – Saudi Arabia.

The accompanying consolidated financial statements for the year ended December 31, 2013 include the following financial statements relating to the above companies, while the comparative figures do not include such information, which are as follows:

## **Consolidated statement of financial position:**

	December 31, 2013
Cash and cash equivalents	10,743,387
Development properties	2,938,072
Due from related parties – current portion	(1,360,303)
Accounts payable and other credit balances	(1,748,087)
Provision for indemnity	(9,958)





**Consolidated statement of profit or loss:**

	For the period ended December 31, 2013
Net gain from projects	1,917
General and administrative expenses	(36,354)

3. During the year ended December 31, 2013, the Parent Company completed restructuring ownership of its associate Al Argan Projects Co. - S.S.C. by transferring its ownership of 27.583% in the associate to GCC Property Fund I, which represents a Saudi Real Estate Fund established and managed by a Company authorized to incorporate such funds in Kingdom of Saudi Arabia. The Parent Company and certain subsidiaries owns the units of the Fund as follows:

	Percentage of holding
Al Argan International Real Estate Co. - K.S.C. (Public)	98.29%
Shams Al Fouz Real Estate Co. - W.L.L.	0.57%
Support Real Estate Co. - W.L.L.	0.57%
Masaken National Co. - W.L.L.	0.57%
	100%

Since, the ownership of the shares were transferred at carrying value and all fund units are owned by the Parent Company and certain subsidiaries, therefore no gain or loss was resulted from such transaction except for accrued tax of KD 623,867 as per the Saudi Arabian Tax Law (Note 18) which was booked in the general and administration expenses for the year ended December 31, 2013.

The accompanying consolidated financial statements for the year ended December 31, 2013 include the financial statements relating to GCC Property Fund I – Saudi Arabia, while the comparative figures does not include such information, which are as follows:

**Consolidated statement of financial position:**

	December 31, 2013
Cash and cash equivalents	158,221
Accounts payable and other credit balances	(14,355)

**Consolidated statement of profit or loss:**

	For the period from November 15, 2013 to December 31, 2013
General and administrative expenses	(14,337)

**C) Financial Instruments:**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, Murabaha investments, accounts receivable, due from (to) related parties, investment available for sale, due to banks, short and long term loans installments, short and long term Murabaha contracts installments, long term bonds and accounts payable. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to consolidated equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.





**C/1) Cash and cash equivalents:**

Cash and cash equivalents includes cash on hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**C/2) Murabaha Investments:**

Murabaha Investments are stated at cost which equivalent its fair value, these investments are recorded on accrual basis.

**C/3) Accounts receivable:**

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

**C/4) Investments:**

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

**Investments available for sale**

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

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

After initial recognition, investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realized gain and losses are recognized in the statement of profit or loss. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in other comprehensive income.

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

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



An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either:

- (a) has transferred substantially all the risks and rewards of ownership of the investment, or
- (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

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

#### **C/5) Borrowings:**

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

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

#### **C/6) Murabaha contracts:**

Murabaha contracts represent amounts payable on deferred settlement basis for assets purchased under Murabaha contracts. Murabaha contracts are stated at the gross amount of the payable, net of deferred expenses payable in the future. Murabaha contracts expenses are recognized when matured on a weighted time-proportion basis.

#### **C/7) Accounts payable:**

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

#### **C/8) Financial Liabilities:**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or financial liabilities other than at fair value through profit or loss. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value which is at cost, plus directly attributable transaction costs. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

The Group had classified its bonds as financial liabilities other than at fair value through statement of profit or loss.



After initial recognition, financial liabilities other than at fair value through profit or loss, which represent interest bearing bonds are subsequently measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in interest expense in the Interim condensed consolidated statement of profit or loss. The bonds issue cost are amortized over the bonds life of five years from the date of issuing the bonds.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

#### **D) Due from (to) customers for contract work:**

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

#### **E) Land held for trading:**

Land held for trading are valued at the lower of historical cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the cost of completion and selling expenses.

#### **F) Inventory:**

##### **f/1 Material in Stores:**

Inventory is valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of preparation and selling expenses.

##### **f/2 Plants Inventory:**

Plants Inventory is valued at net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the cost of preparation and selling expenses, if any.

#### **G) Investment in associates:**

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

The Group recognizes its share of changes in other comprehensive income of associate in its consolidated statement of profit or loss and other comprehensive income.

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

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group interest in the associate.



Any excess of the cost of acquisition over the Group share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

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

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

#### **H) Development properties:**

Properties acquired, constructed or in the course of construction for sale are classified as development properties. Development properties are stated at the lower of cost and net realizable value. The cost of development properties includes the cost of land, construction cost, related finance charges and other related expenditure, which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less cost to be incurred in selling the property.

#### **I) Investment properties:**

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

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

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

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

#### **J) Right of utilization of land for development:**

Right of utilization of land for development leased from others for the purpose of development is stated at amortized cost, amortization is computed on straight line basis over the right of utilization period ending on December 31, 2022.



**K) Fixed assets:**

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets. Fixed assets are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss.

Depreciation is computed on straight line basis over the estimated useful lives of fixed assets as follows:

	Depreciation percentage %
Al-Abdali Farm buildings	25
Buildings of the Group	25
Hotel's furniture and fixture	10
Computer software	33.33
Decorations	25
Tools and equipments	10 – 25
Vehicles and equipment	10 – 25
Furniture and fixture	25

The cost of building constructed on lands leased from others is depreciated using a straight line basis over the life of the rent contract of leased land for 20 years.

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

**L) Impairment of assets:**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

**M) Dividend distribution:**

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





**N) Provision for indemnity:**

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

**O) Share capital:**

Ordinary shares are classified as equity.

**P) Treasury shares:**

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

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

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

**Q) Revenue recognition:**

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

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

- Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer. The Group does not operate any loyalty programs.
- Revenue from maintenance contracts is recognized when the service is rendered.
- Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.
- Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.
- Revenue from projects shared with others is recognized after finishing the projects and selling housing units based on the percentage of the Company's share in these projects which represents the cost of construction, finishing and preparing the housing units for sale to the total projects cost.



- Interest income is recognized on a time-proportion basis using the effective interest method.
- Dividend income is recognized when the right to receive payment is established.
- Rental income is recognized, when earned, on a time apportionment basis.
- Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale date.
- Other income and expenses are recognized on accrual basis.

## **R) Borrowing costs:**

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

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

## **S) Provisions:**

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

## **T) Foreign currencies:**

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

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

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

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

## **U) Contingencies:**

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

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



**V) Segment reporting:**

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

**W) Critical accounting judgments, estimates and assumptions:**

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

**a. Judgments**

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

**(i) Revenue Recognition:**

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

**(ii) Determination of contract cost:**

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

**(iii) Classification of Land:**

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

**1) Land held for trading**

When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

**2) Development properties**

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

**3) Investment properties**

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

**(iv) Provision for doubtful debts and inventory:**

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

**(v) Classification of investments:**

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

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



**(vi) Impairment of investments:**

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

**b. Estimates and assumptions:**

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

**(i) Long term contracts:**

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

**(ii) Provision for doubtful debts and inventory:**

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

**(iii) Revaluation of investment properties:**

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

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

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

**(iv) Impairment of non-financial assets**

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



**3. Cash and cash equivalents**

	2013	2012
Cash on hand and at banks	12,317,981	5,082,664
Short term time deposits	-	790,000
	12,317,981	5,872,664

Cash on hand and at banks as of December 31, 2013 include an amount of KD 10,000,000 obtained from bank for facilities granted to the Parent Company (The new lender bank) Note (16 - d - 3) in order to settle Murabaha contract installment due to a financial institution Note (17 - a).

There are no material difference between the fair value of cash and cash equivalents and its carrying value.

**4. Murabaha investments**

Murabaha investments earn annual return ranging between 0.5% and 2% per annum (2012 – 1.037% and 2% per annum).

Murabaha investments amounting to KD 755,000 as of December 31, 2013 (2012 - KD 755,000) were pledged against facilities from a local bank - Note (17-a).

**5. Due from (to) customers for contract work**

	2013	2012
Contract costs incurred to date plus recognized profits	17,870,155	11,000,202
Progress billings	(14,625,214)	(8,781,170)
	3,244,941	2,219,032

Represented by:

	2013	2012
Gross amount due from customers for contract work	3,319,472	2,313,383
Gross amount due to customers for contract work	(74,531)	(94,351)
	3,244,941	2,219,032

**6. Accounts receivable and other debit balances**

	2013	2012
Trade receivables (a)	3,008,038	3,367,007
Provision for doubtful debts (b)	(428,536)	(598,536)
	2,579,502	2,768,471
Employees' receivable	207,985	285,200
Petty cash imprest	24,597	25,606
Prepaid expenses	1,099,025	922,212
Refundable deposits	83,997	73,147
Retentions receivable	1,313,859	806,696
Advance payments	1,304,248	986,650
Accrued revenue	462,798	531,048
	7,076,011	6,399,030

The fair value of accounts receivable and other debit balances approximate their carrying values.



**a) Trade receivables**

Trade receivables are non interest bearing and are generally due within a year. As of December 31, 2013, trade receivables amounting to KD 404,363 (2012 - KD 673,242) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.

The aging analysis of these trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired	Past due and impaired	
	1-12 months	More than a year	More than a year	Total
<b>2013</b>	2,175,139	404,363	428,536	3,008,038
<b>2012</b>	2,095,229	673,242	598,536	3,367,007

**b) Provision for doubtful debts**

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

	2013	2012
Balance at the beginning of the year	598,536	593,936
Charge for the year	9,253	7,869
Provision written off against receivable	(179,253)	(3,269)
Balance at the end of the year	428,536	598,536

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

**7.Related party disclosures**

The Group has entered into various transactions with related parties i.e. associates, unconsolidated subsidiaries, key management personnel and other related parties in the normal course of its. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

**Balances in the consolidated statement of financial position:**

	2013				
	Associates	Unconsolidated subsidiaries	Key management personnel	Other related parties	Total
Due from related parties - current portion	8,439,687	-	39,176	3,732	8,482,595
Due from related parties - non-current portion	11,009,898	-	-	-	11,009,898
Development Properties	1,869,139	-	-	-	1,869,139
Investment properties	300,624	-	-	-	300,624
Due to related parties – non – current portion	1,204,459	29,359	-	1,133,205	2,367,023
	2012				
	Associates	Unconsolidated subsidiaries	Key management personnel	Other related parties	Total
Due from related parties - current portion	8,499,383	19,865	27,678	7,544	8,554,470
Due from related parties - non-current portion	10,811,962	-	-	-	10,811,962
Due to related parties – non – current portion	626,386	49,620	-	1,243,389	1,919,395



**Transactions in the consolidated statement of profit or loss:**

	2013		
	Associates	Other related parties	Total
Project revenue	375,771	194,975	570,746
Project cost	(288,642)	(148,965)	(437,607)

	2012		
	Associates	Other related parties	Total
Project revenue	378,995	297,297	676,292
Project cost	(348,385)	(282,577)	(630,962)

**Compensation to key management personnel:**

	2013	2012
Salaries and other benefits	978,380	857,176
Leave	105,616	102,819
Indemnity	100,553	75,781
	1,184,549	1,035,776

**8. Land held for trading**

	2013	2012
Balance at the beginning of the year	8,046,115	7,953,978
Additions	124,551	13,743
Foreign currency translation adjustments	22,821	78,394
Balance at end of the year	8,193,487	8,046,115

Land held for trading represents land in Kingdom of Bahrain. According to valuations from independent valuers, the fair value of this land amounted to KD 8,316,354 as of December 31, 2013 (2012 – KD 8,130,825).

Land held for trading had been pledged against Murabaha contracts granted by a local financial institution (Note 17 a).

**9. Inventory**

	2013	2012
Material in stores	260,309	250,982
Plants inventory	41,182	38,651
	301,491	289,633



**10. Investment in associates**

Investment in associates comprises the following:

Name of the associates	Country of incorporation	Ownership percentage %		2013	2012
		2013	2012		
Saar Gate Real Estate Co. – W.L.L.	Bahrain	20	20	1,030,456	1,162,991
Al Argan Towell Investment Co. – W.L.L.	Oman	50	50	6,836,816	6,288,530
Al Argan Bahrain Co. – W.L.L.	Bahrain	50	50	29,098	43,698
Al Argan Projects Co. – S.S.C.	Saudi Arabia	27.583	27.583	14,683,123	13,478,398
Barka City Real Estate Co. – W.L.L.	Oman	25	25	27,172	27,172
Saji Real Estate Co. – K.S.C.C. - (i)	Kuwait	10	10	147,112	151,082
Real Estate Finance Facilities Co. – K.S.C.C. – (ii)	Kuwait	10.29	10.29	2,951,789	3,034,600
Delmon Residence Co. – W.L.L. - (iii)	Bahrain	10	10	53,791	49,113
Al Argan Towell National Trading and Contracting Co. – W.L.L.	Oman	25	25	26,100	26,100
Sorouh AlQurom Bahrain Co. – W.L.L.	Bahrain	28.48	28.48	59,302	71,981
				<b>25,844,759</b>	<b>24,333,665</b>





i) The Parent company accounted for the investment in Saji Real Estate Co. – K.S.C. (Closed) in which the Group owns 10 % of total capital as Investment in associate, since there is one member out of five members representing the Parent company in the Board of Directors. In addition, the parent company is the real estate developer of the main project of the associate, which indicates that the Parent Company has a significant influence over the financial and operational policies of the associate.

ii) The Parent Company accounted for the investment in Real Estate Finance Facilities Co. – K.S.C. (Closed) in which the Group owns 10.29% of total capital as Investment in associate, since the Parent Company is the real estate developer of certain main projects of the associate, which indicates that the Parent Company has a significant influence over the financial and operational policies of the associate.

iii) The Parent Company recognize the investment in Delmon Residence Company- W.L.L. – Kingdom of Bahrain in which the Group owns 10% of total capital as Investment in associate, since the Parent Company is the real estate developer of the main project of the associate, which indicates that the Parent Company has a significant influence over the financial and operational policies of the associate.

The movement during the year are as follows:

	2013	2012
Balance at beginning of the year	24,333,665	28,710,556
Group's share of results from associates	2,758,369	2,896,765
Disposals	-	(6,370,712)
Cash dividends received	(1,283,213)	(984,912)
Foreign currency translation adjustments	48,493	49,318
Group's share of other comprehensive income from associates	(12,555)	32,650
Balance at end of the year	25,844,759	24,333,665

**A - Summarized financial information for material associates to the group are as follows:**

**A - 1) Al Argan Towell Investment Co. – W.L.L.**

**Summarized consolidated statement of financial position:**

	2013	2012
<b>Assets:</b>		
Current assets	8,496,274	10,568,293
Non-current assets	39,260,351	37,483,754
<b>Total assets</b>	<b>47,756,625</b>	<b>48,052,047</b>
<b>Liabilities:</b>		
Current liabilities	2,207,083	1,562,848
Non-current liabilities	31,875,910	33,912,139
<b>Total liabilities</b>	<b>34,082,993</b>	<b>35,474,987</b>
<b>Net Assets</b>	<b>13,673,632</b>	<b>12,577,060</b>
Group's holding percentage	50%	50%
Carrying amount of the group's interest in the investment	6,836,816	6,288,530

**Summarized Consolidated Statements of profit or loss and consolidated other comprehensive income:**

	2013	2012
Revenue	2,122,945	1,863,234
Profit for the year from continuing operations	1,182,289	463,025
Profit for the year from discontinued operations	-	746,214
Net profit for the year attributable to partners of the associate company	1,059,748	1,142,623
Net profit for the year attributable to non-controlling interest	(122,541)	(66,616)
Group's share of results from associate	529,874	571,312
Other comprehensive income for the year	(335)	(415)
Total comprehensive income for the year attributable to partners of associate company	1,059,413	1,142,208

**A - 2) Al Argan Projects Co. – S.S.C.****Summarized consolidated statement of financial position:**

	2013	2012
<b>Assets:</b>		
Current assets	62,561,606	32,408,725
Non-current assets	101,596,858	72,650,050
<b>Total assets</b>	<b>164,158,464</b>	<b>105,058,775</b>
<b>Liabilities:</b>		
Current liability	110,735,680	56,053,143
Non-current liabilities	190,273	140,759
<b>Total liabilities</b>	<b>110,925,953</b>	<b>56,193,902</b>
<b>Net Assets</b>	<b>53,232,511</b>	<b>48,864,873</b>
Group's holding percentage	27.583 %	27.583 %
Carrying amount of the group's interest in the investment	14,683,123	13,478,398

**Summarized Consolidated Statements of profit or loss and consolidated other comprehensive income:**

	2013	2012
Revenue	28,408,453	35,298,248
Net profit for the year	7,919,933	7,858,236
Group's share of results from associate	2,184,555	2,167,537
Other comprehensive income for the year	-	-
Total comprehensive income for the year	7,919,933	7,858,236
Dividend received from associate	1,000,203	984,912



**B - Aggregate information for associates that are not individually material to the group:**

	2013	2012
Carrying amount of the group's investment in associates	4,324,820	4,566,737
Group's share of results from associates	43,940	157,916
Group's share of other comprehensive income of associates	(12,388)	32,857
Group's share of Total comprehensive income of associates	31,552	190,773

**11. Investments available for sale**

	2013	2012
Investment in real estate and investment portfolios	157,493	214,318
Investment in real estate and investment funds	289,971	428,961
Unquoted equity securities	48,000	48,000
	495,464	691,279

Investments available for sale include investments reclassified from investments at fair value through profit or loss during the year ended December 31, 2008, and its fair value as of December 31, 2013 amounted to KD 447,464 (December 31, 2012 – KD 643,279). Cumulative changes in fair value related to these investments accounted in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2013 amounted to loss of KD 100,839 (2012 - Loss KD 26,775).

The movement during the year are as follows:

	2013	2012
Balance at beginning of the year	691,279	772,423
Additions	-	8,419
Changes in fair value	(100,839)	(26,775)
Impairment loss (Note 32)	(94,976)	(62,788)
Balance at end of the year	495,464	691,279

Investments available for sale are denominated in the following currencies:

Currency	2013	2012
Kuwaiti Dinar	48,000	48,000
US Dollar	376,688	474,372
Euro	70,776	168,907
	495,464	691,279

**12. Development properties**

	2013	2012
Land cost	1,869,139	-
Add: development cost	1,022,226	-
Foreign currency translation adjustments	46,707	-
	2,938,072	-



During the year ended December 31, 2013, a subsidiary purchased plots of land located in Sultanate of Oman from an associate company amounting to Omani Riyal 2,516,410 (equivalent to KD 1,869,139) for development purpose. This land is registered in the name of a related party and there is a letter of assignment towards the group regarding the ownership of this land.

### 13. Investment properties

Investment properties represent the following:

	2013	2012
Investment properties stated at fair value (A)	58,438,672	55,481,742
Investment properties under construction stated at cost (B)	429,860	205,762
	58,868,532	55,687,504

#### A. Investment properties stated at fair value:

The movement during the year of investment properties stated at fair value are as follows:

	Buildings constructed on leasehold lands	Buildings constructed on freehold lands	Free hold land	Total
Balance as of December 31, 2011	52,178,000	544,297	1,952,047	54,674,344
Additions	248,256	-	65,874	314,130
Changes in fair value	523,744	(80,088)	49,612	493,268
Balance as of December 31, 2012	52,950,000	464,209	2,067,533	55,481,742
Additions	1,241,960	300,624	196,505	1,739,089
Changes in fair value	1,433,040	140,582	(355,781)	1,217,841
Balance as of December 31, 2013	55,625,000	905,415	1,908,257	58,438,672

The fair value of investment properties for the Group as of December 31, 2013 is based on valuations done by independent valuers. The management of the Group have complied with Capital Markets Authority decision dated July 23, 2012 with respect to guidelines for fair value of investment properties.

In estimating the fair value of investment properties, the group had used discounted cash flows method and market sales comparison method, considering the nature and usage of the investment properties. Following is the description of valuation techniques and key inputs to valuations:

Class of investment property	Valuation technique	Level 3
Building constructed on leasehold land	Discounted cash flow method	55,625,000
Building constructed on free hold land	Market sales comparison	905,415
Free hold land	Market sales comparison	1,908,257
		58,438,672

Investment properties are constructed on leased land according to lease contracts ranging between 17 to 22 years.

Free hold land is registered in the name of a related party and there is a letter of assignment towards the group regarding the ownership of this land.



Investment properties include the following:

- Buildings constructed on leasehold land amounting to KD 47,875,000 have been pledged against loan granted from local bank (Note 16- d).
- Buildings constructed on leasehold land and freehold land amounting to KD 750,000 and KD 1,908,257 respectively have been pledged against Murabaha contracts granted from local financial institution (Note 17 - a).

**B. Investment properties under construction stated at cost:**

The movement during the year of the investment properties under construction stated at cost are as follows:

	Buildings constructed on leasehold lands
Balance as of December 31, 2011	-
Additions	205,762
<b>Balance as of December 31, 2012</b>	<b>205,762</b>
Additions	224,098
<b>Balance as of December 31, 2013</b>	<b>429,860</b>

**14. Fixed assets**

Cost:	Building constructed on right of utilization	Al-Abdaly farm building constructed on leasehold land from Government	Building of the group	Hotel's furniture and fixture	Computer software	Decorations	Tools and equipments	Vehicles and equipment	Furniture and fixture	Total
As of December 31, 2012	518,918	107,709	114,184	4,098,526	265,316	371,910	1,504,642	473,235	308,827	7,763,267
Additions	-	-	7,946	231,051	1,355	3,021	57,443	43,494	4,190	348,500
Disposals	-	-	-	(6,160)	(4,637)	-	(1,049)	(23,930)	-	(35,776)
As of December 31, 2013	518,918	107,709	122,130	4,323,417	262,034	374,931	1,561,036	492,799	313,017	8,075,991
Accumulated depreciation:										
As of December 31, 2012	217,338	107,708	111,688	2,236,016	233,236	115,278	949,516	257,069	280,419	4,508,268
Charge for the year	31,172	-	1,675	343,323	17,678	633	157,391	70,069	10,596	632,537
Relating to disposal	-	-	-	(2,116)	(4,637)	-	(1,049)	(17,284)	-	(25,086)
As of December 31, 2013	248,510	107,708	113,363	2,577,223	246,277	115,911	1,105,858	309,854	291,015	5,115,719
Net book value:										
As of December 31, 2013	270,408	1	8,767	1,746,194	15,757	259,020	455,178	182,945	22,002	2,960,272
As of December 31, 2012	301,580	1	2,496	1,862,510	32,080	256,632	555,126	216,166	28,408	3,254,999

**- Depreciation charge for the year is allocated as follows:**

	2013	2012
Projects cost	123,230	163,635
Rent cost	207	207
Resorts cost	349,591	342,849
Others	159,509	134,488
	632,537	641,179



**15. Due to banks**

This item represents bank facilities granted from local banks at interest rate 2.5% per annum over the Central Bank of Kuwait discount rate as of December 31, 2013 and is payable on demand.

**16. Short and long term loans installments**

	2013	2012
<b>Current:</b>		
a. Secured bank loan carrying an interest rate of 4% per annum over the Central Bank of Kuwait discount rate.	-	7,200,000
b. Unsecured loan from local financial institution carrying an interest rate of 4% per annum over the Central Bank of Kuwait discount rate.	-	152,166
c. Secured loan from local financial institution carrying an interest rate of 3.5% per annum over the Central Bank of Kuwait discount rate.	427,568	306,501
d. Secured bank loan carrying an interest rate of 3% per annum over the Central Bank of Kuwait discount rate.	3,000,000	-
	<b>3,427,568</b>	<b>7,658,667</b>
<b>Non-current:</b>		
a. Secured bank loan carrying an interest rate of 4% per annum over the Central Bank of Kuwait discount rate.	-	9,888,000
d. Secured bank loan carrying an interest rate of 3% per annum over the Central Bank of Kuwait discount rate.	27,000,000	-
	<b>27,000,000</b>	<b>9,888,000</b>
	<b>30,427,568</b>	<b>17,546,667</b>

a) This item for the prior year represents a loan granted to the Parent Company from one of the local banks secured by a first class mortgage on the buildings constructed on the real estate located in Al Bedaa and represented in plan No. M/30050, 27617 and is payable in installments starting from June 1, 2013 and ending on June 1, 2016. During the year ended December 31, 2013, the Parent Company settled the full loan balance by obtaining new bank facilities and transferred the collateral on the above mentioned properties to the new lender bank – item (d) below.

b) This item represents unsecured loan granted to the Parent Company from a local financial institution and is payable in installments. During the year ended December 31, 2013 the Group settled the full loan balance.

c) This item represents secured loan granted to a subsidiary Company from a local financial institution secured by the corporate guarantee of the Parent Company and a letter of assignment on the revenue of certain projects. The loan is payable in installments and the last installment is due on October 31, 2014.

d) During the year ended December 31, 2013, the Parent Company signed bank facility contract with a local bank amounting to KD 31,000,000 to restructure existing bank facilities as follows:

- 1) Immediate settlement of a loan due to a local bank amounting to KD 17,000,000 – Item (A) above.
- 2) Immediate settlement of Murabaha contract installments due to a local bank amounting to KD 3,000,000 – Note (17 - b).
- 3) Settling Murabaha contract installments due to a financial institution amounting to KD 10,000,000 – Note (17 - a).
- 4) Additional overdraft limit of KD 1,000,000 to the Parent Company.





The new bank facilities mentioned above are payable on installments starting from December 15, 2014 and the last installment is payable on December 15, 2018.

The new bank facilities are granted against the following:

- Pledging all shares of the subsidiary – Argana for resorts & Hotels Company - K.S.C. (Closed).
- Pledging the buildings constructed on the real estate located in Al Bedaa amounting to KD 47,875,000 as of December 31, 2013 – Note (13 - a).

Certain loans granted to some associates are secured by the corporate guarantee of Al Argan International Real Estate Co. - K.S.C. (Public).

#### 17. Short and long term Murabaha contracts installments

	2013	2012
<b>Current:</b>		
Short term Murabaha contracts installments	12,198,684	6,745,116
Less: Deferred finance cost	(835,425)	(606,095)
Net short term Murabaha contracts installments	11,363,259	6,139,021
<b>Non-current:</b>		
Long term Murabaha contracts installments	259,119	9,966,880
Deduct: Deferred finance costs	(21,384)	(834,188)
Net long term Murabaha contracts installments	237,735	9,132,692
	11,600,994	15,271,713

a) The Group was granted Murabaha contracts in an amount of KD 10,747,734 from a local financial institution and is payable in installments and the last installment is due on October 18, 2015 against mortgage of certain group of assets, which are as follows:

- Murabaha Investment amounting to KD 755,000 as of December 31, 2013 - Note (4).
- Land held for trading amounting to KD 8,193,487 as of December 31, 2013 – Note (8).
- Building constructed on leased land in investment properties amounting to KD 750,000 as of December 31, 2013 – Note (13 - a).
- Freehold land in investment properties amounting to KD 1,908,257 as of December 31, 2013 – Note (13-a).

Currently the Parent Company is in the process of settling Murabaha Contract installments to the above mentioned financial institution, through withdrawing amount of KD 10,000,000 from the new lender bank (Note 3) and (Note 16 – d - 3), and then release the above mentioned mortgage assets against these contracts.

b) The Group was granted Murabaha contracts amounting to KD 3,251,551 from a local bank secured by a first class mortgage on the building constructed on the real estate located in Al Bedaa and represented in plan No. M/30050, 27617 and is payable in one installment due on July 7, 2013. During the year ended December 31, 2013, the Parent Company settled the full Murabaha balance by obtaining KD 3,000,000 from the new lender bank – Note (16 - d - 2) and the remaining amount was settled through the Parent Company's self financing.



**18. Accounts payable and other credit balances**

	2013	2012
Trade payable	1,264,135	1,168,963
Staff payable	40,689	58,210
Accrued leave	594,115	522,899
Rent deposits for others	407,819	402,582
Subcontractors' retentions	326,084	307,470
Revenues and payments received in advance	2,660,459	1,617,345
Accrued expenses	1,265,243	856,270
Provision for accrued taxes – Note (2 – b - 3)	623,867	-
NLST payable	305,279	184,333
Zakat payable	113,224	113,224
Board of Directors' remuneration payable	15,000	45,000
	<b>7,615,914</b>	<b>5,276,296</b>

- Trade payable are non-interest bearing and are settled within 3 months.
- The fair value of accounts payable and other credit balances approximate their carrying value.

**19. Dividend payable**

The parent company's General Assembly meeting held on May 14, 2013 , approved the consolidated financial statement of the Group for the year ended December 31, 2012, and approved the proposal of the board of directors for distributing cash dividends of 7% of the share's par value (7 fils per share) for the year ended December 31, 2012.

The parent company's General Assembly meeting held on May 15, 2012, approved the consolidated financial statement of the Group for the year ended December 31, 2011 , and approved the proposal of the board of directors for distributing cash dividends of 10% of the share's par value (10 fils per share) for the year ended December 31, 2011.

**20. Long term bonds**

	2013	2012
Bonds issued at fixed rate – (a)	13,200,000	13,200,000
Bonds issued at floating rate – (b)	3,300,000	3,300,000
	<b>16,500,000</b>	<b>16,500,000</b>
(Deduct) unamortized issue cost	(201,162)	(262,553)
	<b>16,298,838</b>	<b>16,237,447</b>

As per the Parent Company's Ordinary General Assembly meeting held on May 26, 2011, and after getting the approval of the Capital Markets Authority in the State of Kuwait on January 31, 2012, the parent company did the following on April 11, 2012:

a- Issued 4640 bonds of KD 5,000 each in the amount of KD 23,200,000 for five years from the date of issuing bonds and due on one payment on April 11, 2017 carrying fixed interest rate coupon of 6.25% per annum and the interest is payable on semi annual basis. On May 17, 2012 the group repurchased 2,000 bonds in the amount of KD 10,000,000 at par value of KD 5,000 per bond.

b- Issued 660 bonds of KD 5,000 each in the amount of KD 3,300,000 for five years from the date of issuing bonds and due on one payment on April 11, 2017 carrying floating interest rate coupon of 3.5% per annum over the Central Bank of Kuwait discount rate and the interest is payable on semiannual basis.



The above mentioned bonds containing the obligations of the Issuer will be direct, unconditional and unsecured obligations and rank pari passu among themselves and with all other present and future unsecured obligations, other than subordinated obligations and those preferred by mandatory provisions of law.

## 21. Provision for indemnity

	2013	2012
Balance at beginning of the year	1,001,026	773,376
Charge for the year	354,093	301,264
Paid during the year	(86,717)	(73,614)
Transfer to a related party	(617)	-
Balance at end of the year	1,267,785	1,001,026

## 22. Share capital

The parent company's authorized, issued and paid up capital is KD 26,500,000 distributed over 265,000,000 shares of 100 fils each (2012 – KD 26,500,000 distributed over 265,000,000 shares of 100 fils each) and all shares are cash and in kind (cash amounted to KD 22,400,000 and in kind amounted to KD 4,100,000).

## 23. Share premium

This item represents cash received in excess of the par value of the shares issued. Share premium are not available for distribution except in cases stipulated by law.

## 24. Statutory reserve

As required by the Companies Law and the parent Company's Articles of Incorporation, 10% of profit for the year attributable to Parent Company's shareholders before contribution to National Labor Support Tax, and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Incorporation.

It is not allowed to distribute statutory reserve to shareholders, it is only allowed to use it to distribute profits to shareholders amount to 5% (five percent) in the years when the Parent Company's profits do not allow to reach such percentage, if the statutory reserve exceeded half of the parent company's capital, the General Assembly of the Parent Company shareholders can decide to use such excess in activities that are suitable for the parent company and shareholders best interest.

## 25. Voluntary reserve

As required by the Parent Company's Article of Incorporation, a percentage is transferred to the voluntary reserve, suggested by the Board of Directors and approved by the General Assembly of the Parent Company shareholders, such transfer may be discontinued by a resolution of the Ordinary General Assembly based on the Board of Directors' recommendation.

## 26. Transfer to voluntary reserve

As required by the Parent Company's Articles of Incorporation according to Article (46) to deduct a percent devoted to the voluntary reserve suggested by the Board of Directors' and accepted by the parent company General Assembly (Note 25), so according to the Parent Company's Board of Directors' decision in its meeting dated March 26, 2014, they agreed to transfer 10% from net profit attributable to Parent Company's shareholders before contribution to National Labor Support Tax, and Board of Directors' remuneration to voluntary reserve. This resolution is subject to the approval of the parent company shareholders' Ordinary General Assembly meeting.



## 27. Treasury shares

	2013	2012
Number of shares	8,792,800	8,730,000
Percentage to paid up shares	3.3181%	3.2944%
Market value (KD)	1,424,434	1,501,560
Cost (KD)	3,430,274	3,420,920

Based on Capital Markets Authority resolution dated December 30, 2013, the Company's management has allotted an amount equal to treasury shares balance from the available retained earnings as of the financial reporting date. Such amount will not be available for distribution during treasury shares holding period.

## 28. Net gain from projects

	2013	2012
Projects revenue	9,508,785	9,039,622
Project costs	(8,680,674)	(8,562,067)
	828,111	477,555

## 29. Net gain from rents

	2013	2012
Rental revenue	3,280,298	2,473,375
Rental costs	(372,187)	(353,663)
	2,908,111	2,119,712

## 30. Net gain from resorts

	2013	2012
Resorts revenue	7,700,009	7,444,313
Resorts cost	(4,159,083)	(4,136,186)
	3,540,926	3,308,127

## 31. General and administrative expenses

	2013	2012
Salaries, wages and other benefits	1,950,432	2,106,680
Others	2,148,143	1,374,612
	4,098,575	3,481,292

## 32. Net investment (loss) income

	2013	2012
Dividend income from investments available for sale	16,016	85,116
Impairment loss of investment available for sale (Note 11)	(94,976)	(62,788)
	(78,960)	22,328



**33. Contribution to KFAS**

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% from profit of the Parent Company before contribution to KFAS, National Labor Support Tax, contribution to Zakat, Board of Directors' remuneration and after deducting the share of profit from the shareholding subsidiaries and associates and the transfer to statutory reserve.

No KFAS share has been calculated for the year ended December 31, 2013 and December 31, 2012, since the KFAS share calculated in the financial statements of the subsidiaries and associates subject to KFAS resolution exceeds the KFAS share calculated for the accompanying consolidated financial statements.

**34. National Labor Support Tax**

National Labor Support Tax is calculated at 2.5% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration after deducting its share of profit from listed associates & un-consolidated subsidiaries subject to the same law, also its share of NLST paid by listed subsidiaries subject to the same law and cash dividends received from listed companies subject to the same law in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

**35. Contribution to Zakat**

Contribution to Zakat is calculated at 1% from the profit for the year attributable to shareholders of the parent company before contribution to KFAS, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration after deducting its share of profit from Kuwaiti shareholding associates & un-consolidated subsidiaries subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies subject to the same law in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

No Zakat has been calculated for the year ended December 31, 2013 and December 31, 2012 since the Zakat share calculated in the financial statements of the subsidiaries and associates subject to Zakat resolution exceeds the Zakat share calculated for the accompanying consolidated financial statements.

**36. Board of Directors' remuneration**

The Board of Directors' meeting held on March 26, 2014 proposed a Board of Directors remuneration amounted to KD 30,000 for the year ended December 31, 2013. This recommendation is subject to the approval of the Ordinary General Assembly of the Parent Company's shareholders.

The Parent Company's General Assembly meeting held on May 14, 2013 approved the proposal of the Board of Directors for distributing an amount of KD 30,000 as a Board of Directors' remuneration for the year ended December 31, 2012.

**37. Earnings per share attributable to parent company's shareholders (Fils)**

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

	2013	2012
Net profit for the year attributable to the parent company's shareholders	3,864,390	4,378,373
Number of outstanding shares:		
Weighted average number of issued shares	265,000,000	265,000,000
Less: Weighted average number of treasury shares	(8,737,460)	(8,730,000)
Weighted average number of outstanding shares	256,262,540	256,270,000
Earnings per share attributable to the parent company's shareholders (Fils)	15.08	17.09

**38. Proposed cash dividends**

The Board of Directors' meeting held on March 26, 2014 recommend a cash dividend of 7% (7 fils per share) for the year ended December 31, 2013. This recommendation is subject to the approval of the Ordinary General Assembly of the Parent Company's shareholders.

**39. Employees' cost**

Employees' salaries and other benefits amounted to KD 6,150,552 for the year ended December 31, 2013 (2012 – KD 6,218,174).

**40. Segment analysis****A. Segment analysis by activities:**

The Group's activities are represented primarily in real estate investment activity, contracting activities and Hotels and resorts activity as follows:

	Real estate investment		Contracting		Hotels and resorts		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenue	4,559,511	6,487,541	8,162,006	7,843,868	12,549,153	10,551,009	25,270,670	24,882,418
Expenses	(7,435,306)	(7,391,624)	(8,005,753)	(7,465,487)	(5,894,700)	(5,599,010)	(21,335,759)	(20,456,121)
Net (loss) profit for the year	(2,875,795)	(904,083)	156,253	378,381	6,654,453	4,951,999	3,934,911	4,426,297
Total assets	82,876,201	69,598,366	7,771,656	6,937,518	52,107,042	50,771,054	142,754,899	127,306,938
Total liabilities	(63,417,181)	(50,276,688)	(5,648,889)	(5,170,901)	(1,859,934)	(2,018,653)	(70,926,004)	(57,466,242)
	19,459,020	19,321,678	2,122,767	1,766,617	50,247,108	48,752,401	71,828,895	69,840,696

**B. Geographical segments:**

The Company primarily operates inside and outside Kuwait (Kingdom of Saudi Arabia – Kingdom of Bahrain, United Arab Emirates, Arab Republic of Egypt, Sultanate of Oman and Republic of Lebanon) as follows:

	Inside Kuwait		Outside Kuwait		Total	
	2013	2012	2013	2012	2013	2012
Revenue	22,394,960	19,883,519	2,875,710	4,998,899	25,270,670	24,882,418
Expenses	(20,698,687)	(20,280,214)	(637,072)	(175,907)	(21,335,759)	(20,456,121)
Net profit (loss) for the year	1,696,273	(396,695)	2,238,638	4,822,992	3,934,911	4,426,297
Total assets	75,246,924	74,282,896	67,507,975	53,024,042	142,754,899	127,306,938
Total liabilities	(68,000,814)	(56,634,985)	(2,925,190)	(831,257)	(70,926,004)	(57,466,242)
	7,246,110	17,647,911	64,582,785	52,192,785	71,828,895	69,840,696





Revenues and expenses analysis are as follows:

	2013			2012		
	Revenues	Expenses	Net profit for the year	Revenues	Expenses	Net profit for the year
Net gain from projects	9,508,785	(8,680,674)	828,111	9,039,622	(8,562,067)	477,555
Net gain from rents	3,280,298	(372,187)	2,908,111	2,473,375	(353,663)	2,119,712
Net gain from resorts	7,700,009	(4,159,083)	3,540,926	7,444,313	(4,136,186)	3,308,127
Group's share of results from associates	2,913,089	(154,720)	2,758,369	2,932,468	(35,703)	2,896,765
Gain from partial sale of associate	-	-	-	2,068,406	-	2,068,406
Unrealized gain from changes in fair value of investment properties	1,825,749	(607,908)	1,217,841	749,445	(256,177)	493,268
General and administrative expenses	-	(4,098,575)	(4,098,575)	-	(3,481,292)	(3,481,292)
Depreciation and amortization	-	(172,389)	(172,389)	-	(147,369)	(147,369)
Net investment (loss) income	16,016	(94,976)	(78,960)	85,116	(62,788)	22,328
Interest income	17,042	-	17,042	48,325	-	48,325
Finance charges	-	(2,860,248)	(2,860,248)	-	(3,263,429)	(3,263,429)
Provision for doubtful debts	-	(9,253)	(9,253)	-	(7,869)	(7,869)
Gain on sale of fixed assets	5,341	(3,100)	2,241	27,635	(291)	27,344
Foreign exchange gain	3,547	(1,700)	1,847	12,711	(297)	12,414
Other revenue	794	-	794	1,002	-	1,002
National Labor Support Tax and Board of Directors' remuneration	-	(120,946)	(120,946)	-	(148,990)	(148,990)
Net profit for the year	25,270,670	(21,335,759)	3,934,911	24,882,418	(20,456,121)	4,426,297

## 41. Financial Risk Management

In the normal course of business, the group uses primary financial instruments such as cash and cash equivalents, Murabaha investments, accounts receivable, due from (to) related parties, investments available for sale, due to banks, short and long term loans installments, short and long term Murabaha contracts installments, long term bonds and accounts payable and as a result, is exposed to the risks indicated below.

### a) Interest rate risk:

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Group's profit through the impact on floating rate borrowings. There is no impact on the Parent Company's equity.

	Increase / (Decrease) in interest rate	2013	Effect on consolidated statement of profit or loss
Total short term liabilities to financial institutions	± 50 basis points	4,584,332	±22,922
Total long term liabilities to financial institutions	± 50 basis points	27,000,000	±135,000
Long term bonds	± 50 basis points	3,300,000	±16,500

	Increase / (Decrease) in interest rate	2012	Effect on consolidated statement of profit or loss
Total short term liabilities to financial institutions	± 50 basis points	7,658,667	±38,293
Total long term liabilities to financial institutions	± 50 basis points	9,888,000	±49,440
Long term bonds	± 50 basis points	3,300,000	±16,500

The above table is based on the assumptions relating to the outstanding bank overdraft, loans and bond balances on December 31, 2013 and December 31, 2012 and the sensitivity of change in interest rates.

### b) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, Murabaha investments and accounts receivable. The Group's cash and cash equivalents and Murabaha investments are placed with high credit rating financial institutions. The bank accounts of the Group are distributed among different banks without concentrations on a single bank. Accounts receivable are presented net of allowance for doubtful debts. Credit risk with respect to accounts receivable is limited due to the large number of customers and their dispersion across different industries.

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

### c) Foreign currency risk:

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



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

	2013		
	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income
Bahraini Dinar	± 5%	± 21,738	± 736,425
Omani Riyal	± 5%	± 101,101	± 1,568,478
Saudi Riyal	± 5%	± 2,170	± 772,609
US Dollar	± 5%	± 20,191	± 18,834
Egyptian Pounds	± 5%	-	± 863
Euro	± 5%	- 3,539	+3,539
Sterling Pound	± 5%	-	± 23
UAE Dirham	± 5%	± 19	-

	2012		
	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income
Bahraini Dinar	± 5%	-	± 793,103
Omani Riyal	± 5%	± 108,792	± 930,712
Saudi Riyal	± 5%	± 1,970	± 676,055
US Dollar	± 5%	± 78,954	+ 23,719
Egyptian Pounds	± 5%	-	+ 1,263
Euro	± 5%	- 8,445	+ 8,445
Sterling Pound	± 5%	-	± 22
UAE Dirham	± 5%	± 103	-

#### d) Liquidity risk:

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

Maturity Table for financial liabilities:

	2013		
	3-12 months	1-3 years	Total
Accounts payable and other credit balances	7,615,914	-	7,615,914
Dividend payable	116,587	-	116,587
Total liabilities to financial institutions	15,947,591	27,237,735	43,185,326
Bonds	-	16,298,838	16,298,838
Due to related parties	-	2,367,023	2,367,023
Total	23,680,092	45,903,596	69,583,688



	2012		
	3-12 months	1-3 years	Total
Accounts payable and other credit balances	5,276,296	-	5,276,296
Dividend payable	119,347	-	119,347
Total liabilities to financial institutions	13,797,688	19,020,692	32,818,380
Bonds	-	16,237,447	16,237,447
Due to related parties	-	1,919,395	1,919,395
Total	19,193,331	37,177,534	56,370,865

**e) Equity price risk:**

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

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure:

	2013			2012		
	Change in equity price	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income	Change in equity price	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income
Investment in financial and real estate portfolios	± 5%	-	± 7,874	± 5%	- 3,379	± 10,716
Investment in investment and real estate funds	± 5%	-	± 14,498	± 5%	- 5,067	± 21,448

**f) Fair value measurement:**

The Group measures financial assets such as investments at fair value through statement of profit or loss and investments available for sale at fair value at each reporting date.

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unavailable.



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

	Fair value measurement
2013	Level 2
Investments available for sale	447,464

	Fair value measurement
2012	Level 2
Investments available for sale	643,279

At December 31, the fair values of financial instruments approximate their carrying amounts. The management of the Group has assessed that fair value of cash and cash equivalents, Murabaha investments, accounts receivable, due from (to) related parties, investments available for sale, due to banks, short and long term loans installments, short and long term Murabaha contracts installments, long term bonds and accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

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

#### 42. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital resources structure to reduce the cost of capital. In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

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

For the purpose of managing the capital risk, the total capital resources consists of the following components:

	2013	2012
Total short term liabilities to financial institutions	15,947,591	13,797,688
Total long term liabilities to financial institutions	27,237,735	19,020,692
Long term bonds	16,298,838	16,237,447
Less: cash and cash equivalents	(12,317,981)	(5,872,664)
Net debt	47,166,183	43,183,163
Total equity	71,828,895	69,840,696
Total capital resources	118,995,078	113,023,859
Gearing ratio	0.66	0.62



**43. Contingent liabilities**

The Group is contingently liable against the following:

	2013	2012
Letters of credit	1,145,247	830,959
Letters of guarantees	5,278,262	5,988,776
	6,423,509	6,819,735

Contingent liabilities arising from the parent company's interest in associates were as follows:

	2013	2012
Letters of guarantees	-	11,736

Capital expenditure contracted for at the consolidated statement of financial position date but not yet incurred is as follows:

	2013	2012
Right of utilization of land	410,220	1,125,332

**44. Legal cases**

There are contingent liabilities and commitments relating to legal cases from the Group against others and from others against the Group which are still pending in the court as of the date of consolidated financial statements and based on the available information these cases do not have a material impact on the accompanying consolidated financial statement.

