

**UNITED PROJECTS COMPANY FOR AVIATION
SERVICES K.S.C.P. AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013



Building a better
working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Projects Company For Aviation Services K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Parent Company 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 from material misstatement.

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P. (continued)**

Report on the Consolidated Financial Statements (continued)

Opinion

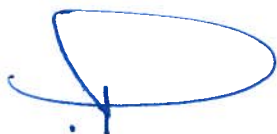
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 6 to the consolidated financial statements, which describes the uncertainty relating to the management's ability to renew a BOT contract and its impact on the recoverable amount of the related intangible asset. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS



DR. SAUD HAMAD AL-HUMAIIDI
LICENSE NO. 51 A
OF DR. SAUD HAMAD AL-HUMAIIDI &
PARTNERS
MEMBER OF BAKER TILLY
INTERNATIONAL

19 March 2014
Kuwait

United Projects Company For Aviation Services K.S.C.P and Subsidiaries

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

| | <i>Notes</i> | <i>2013</i> <i>KD</i> | <i>2012</i> <i>KD</i> |
|--|--------------|--------------------------|--------------------------|
| Revenues | | 11,237,024 | 11,226,042 |
| Operating costs | | (1,085,894) | (936,712) |
| GROSS PROFIT | | 10,151,130 | 10,289,330 |
| General and administrative expenses | | (1,315,929) | (1,610,128) |
| Salaries and employee benefits | | (944,038) | (1,073,714) |
| Realised gain on sale of financial assets available for sale | | - | 267,218 |
| Reversal of impairment of receivables (net) | 8 | 326,556 | 1,270,563 |
| Net other income | 4 | 1,262,456 | 1,110,216 |
| Profit before interest, taxation, depreciation and amortisation ("EBITDA") | | 9,480,175 | 10,253,485 |
| Depreciation | | (157,010) | (258,772) |
| Amortisation | | (2,744,084) | (2,745,867) |
| Profit before interest and taxation ("EBIT") | | 6,579,081 | 7,248,846 |
| Interest income | | 318,692 | 502,897 |
| Finance costs | | (7,880) | (119,564) |
| Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support ("NLST"), Zakat and Board of Directors' Remuneration | | 6,889,893 | 7,632,179 |
| Contribution to KFAS | | (63,288) | (69,862) |
| NLST | | (176,809) | (194,062) |
| Zakat | | (70,724) | (76,384) |
| Board of directors' remuneration | 16 | (25,000) | (25,000) |
| PROFIT FOR THE YEAR | | 6,554,072 | 7,266,871 |
| Attributable to: | | | |
| Equity holders of the Parent Company | | 6,721,587 | 7,397,169 |
| Non-controlling interests | | (167,515) | (130,298) |
| | | 6,554,072 | 7,266,871 |
| BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | 5 | 85.57 fils | 93.85 fils |

The attached notes 1 to 21 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

| | <i>Note</i> | 2013 KD | 2012 KD |
|---|-------------|--------------------------|--------------------------|
| Profit for the year | | <u>6,554,072</u> | <u>7,266,871</u> |
| Other comprehensive loss: | | | |
| <i>Items to be reclassified to consolidated income statement in subsequent periods:</i> | | | |
| Financial assets available for sale: | | | |
| - Recycled to consolidated income statement on sale | | - | (267,218) |
| Total other comprehensive loss | | - | (267,218) |
| Total comprehensive income for the year | | <u>6,554,072</u> | <u>6,999,653</u> |
| Attributable to: | | | |
| Equity holders of the Parent Company | | 6,721,587 | 7,129,951 |
| Non-controlling interests | | (167,515) | (130,298) |
| | | <u>6,554,072</u> | <u>6,999,653</u> |

The attached notes 1 to 21 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

| | Notes | 2013 KD | 2012 KD |
|--|-------|--------------------------|--------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | | 268,380 | 415,206 |
| Intangible assets | 6 | 19,678,894 | 22,304,727 |
| Investment in an associate | | - | 62,500 |
| Financial assets available for sale | 7 | 3,642,044 | 4,642,044 |
| | | <u>23,589,318</u> | <u>27,424,477</u> |
| Current assets | | | |
| Accounts receivables and other assets | 8 | 1,960,425 | 2,163,475 |
| Cash and bank balances | 9 | 10,975,638 | 16,509,719 |
| | | <u>12,936,063</u> | <u>18,673,194</u> |
| TOTAL ASSETS | | <u><u>36,525,381</u></u> | <u><u>46,097,671</u></u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 10 | 8,250,000 | 8,250,000 |
| Share premium | 10 | 10,500,000 | 10,500,000 |
| Statutory reserve | 10 | 4,125,000 | 3,440,761 |
| Treasury shares | 11 | (1,544,594) | (1,334,194) |
| Other reserve | | (260,978) | (260,978) |
| Retained earnings | | 6,136,881 | 15,567,973 |
| | | <u>27,206,309</u> | <u>36,163,562</u> |
| Equity attributable to equity holders of the Parent Company | | <u>27,206,309</u> | <u>36,163,562</u> |
| Non-controlling interests | | 2,477,111 | 2,644,626 |
| | | <u>29,683,420</u> | <u>38,808,188</u> |
| Total equity | | <u>29,683,420</u> | <u>38,808,188</u> |
| Non-current liabilities | | | |
| Term loans | | - | 150,000 |
| Employees' end of service benefits | | 215,151 | 214,220 |
| | | <u>215,151</u> | <u>364,220</u> |
| Current liabilities | | | |
| Bank overdrafts | 9 | - | 101,109 |
| Term loans | | - | 800,000 |
| Accounts payable and other liabilities | 12 | 6,626,810 | 6,024,154 |
| | | <u>6,626,810</u> | <u>6,925,263</u> |
| Total liabilities | | <u>6,841,961</u> | <u>7,289,483</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>36,525,381</u></u> | <u><u>46,097,671</u></u> |


 Nadia Abdullah Mohammad Akil
 Chairperson and Managing Director


 Hassan Bassam El Houry
 Vice Chairman

The attached notes 1 to 21 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

| | <i>Notes</i> | <i>2013</i> <i>KD</i> | <i>2012</i> <i>KD</i> |
|--|--------------|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | | |
| Profit for the year | | 6,554,072 | 7,266,871 |
| Adjustments for: | | | |
| Depreciation and amortisation | | 2,901,094 | 3,004,639 |
| Provision for employees' end of service benefits | | 55,663 | 64,671 |
| Realised gain on sale of financial assets available for sale | | - | (267,218) |
| Interest income | | (318,692) | (502,897) |
| Dividend income | | - | (8,650) |
| Reversal of impairment of receivables | 8 | (326,556) | (1,270,563) |
| Gain on disposal of property and equipment | | - | (20,653) |
| Finance costs | | 7,880 | 119,564 |
| | | <u>8,873,461</u> | <u>8,385,764</u> |
| Working capital changes: | | | |
| Accounts receivable and other assets | | 529,606 | 1,627,691 |
| Accounts payable and other liabilities | | 602,656 | 357,960 |
| Cash flows from operations | | <u>10,005,723</u> | <u>10,371,415</u> |
| Employees' end of service benefits paid | | (54,732) | (159,096) |
| Net cash flows from operating activities | | <u>9,950,991</u> | <u>10,212,319</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (10,184) | (26,276) |
| Proceeds on sale of property and equipment | | - | 30,002 |
| Additions to intangible assets | | (118,251) | - |
| Proceeds from sale of an associate | | 62,500 | - |
| Purchase of financial assets available for sale | | - | (3,392,277) |
| Proceeds from sale of financial assets available for sale | 7 | 1,000,000 | 490,528 |
| Interest income received | | 318,692 | 440,792 |
| Dividend income received | | - | 8,650 |
| Net cash flows from (used in) investing activities | | <u>1,252,757</u> | <u>(2,448,581)</u> |
| FINANCING ACTIVITIES | | | |
| Sale of treasury shares | | - | 53,600 |
| Purchase of treasury shares | | (210,400) | (42,950) |
| Repayment of term loans | | (950,000) | (800,000) |
| Dividend paid | 16 | (15,468,440) | (2,363,100) |
| Finance costs paid | | (7,880) | (119,564) |
| Net cash flows used in financing activities | | <u>(16,636,720)</u> | <u>(3,272,014)</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | <u>(5,432,972)</u> | <u>4,491,724</u> |
| Cash and cash equivalents at the beginning of the year | | 16,408,610 | 11,916,886 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 9 | <u>10,975,638</u> | <u>16,408,610</u> |

The attached notes 1 to 21 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

| | Attributable to equity holders of the Parent Company | | | | | | | | | | | |
|--|--|---------------------|-------------------------|-------------------------|-----------------------|-------------------------------|---------------------|---|-------------------------|-------------------|---------------------------------|-------------------|
| | Share capital KD | Share premium KD | Statutory reserve KD | Voluntary reserve KD | Treasury shares KD | Treasury shares Reserve KD | Other reserve KD | Cumulative changes in fair values reserve KD | Retained earnings KD | Sub-total KD | Non-controlling interests KD | Total KD |
| As at 1 January 2013 | 8,250,000 | 10,500,000 | 3,440,761 | - | (1,334,194) | - | (260,978) | - | 15,567,973 | 36,163,562 | 2,644,626 | 38,808,188 |
| Profit (loss) for the year | - | - | - | - | - | - | - | - | 6,721,587 | 6,721,587 | (167,515) | 6,554,072 |
| Total comprehensive income (loss) for the year | - | - | - | - | - | - | - | - | 6,721,587 | 6,721,587 | (167,515) | 6,554,072 |
| Dividends (Note 16) | - | - | - | - | - | - | - | - | (15,468,440) | (15,468,440) | - | (15,468,440) |
| Purchase of treasury shares | - | - | - | - | (210,400) | - | - | - | - | (210,400) | - | (210,400) |
| Transfer to reserves | - | - | 684,239 | - | - | - | - | - | (684,239) | - | - | - |
| As at 31 December 2013 | 8,250,000 | 10,500,000 | 4,125,000 | - | (1,544,594) | - | (260,978) | - | 6,136,881 | 27,206,309 | 2,477,111 | 29,683,420 |
| As at 1 January 2012 | 8,250,000 | 10,500,000 | 2,664,513 | 2,664,513 | (1,349,532) | 903 | (260,978) | 267,218 | 8,649,424 | 31,386,061 | 2,774,924 | 34,160,985 |
| Profit (loss) for the year | - | - | - | - | - | - | - | - | 7,397,169 | 7,397,169 | (130,298) | 7,266,871 |
| Other comprehensive loss | - | - | - | - | - | - | - | (267,218) | - | (267,218) | - | (267,218) |
| Total comprehensive (loss) income for the year | - | - | - | - | - | - | - | (267,218) | 7,397,169 | 7,129,951 | (130,298) | 6,999,653 |
| Dividends | - | - | - | - | - | - | - | - | (2,363,100) | (2,363,100) | - | (2,363,100) |
| Purchase of treasury shares | - | - | - | - | (42,950) | - | - | - | - | (42,950) | - | (42,950) |
| Sale of treasury shares | - | - | - | - | 58,288 | (903) | - | - | (3,785) | 53,600 | - | 53,600 |
| Transfer to reserves | - | - | 776,248 | - | - | - | - | - | (776,248) | - | - | - |
| Reversal of voluntary reserve (Note 10) | - | - | - | (2,664,513) | - | - | - | - | 2,664,513 | - | - | - |
| As at 31 December 2012 | 8,250,000 | 10,500,000 | 3,440,761 | - | (1,334,194) | - | (260,978) | - | 15,567,973 | 36,163,562 | 2,644,626 | 38,808,188 |

United Projects Company For Aviation Services K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

1 CORPORATE INFORMATION

United Projects Company for Aviation Services K.S.C.P. (the "Parent Company") was established as a closed Kuwaiti shareholding company on 4 December 2000 under the Commercial Companies Law No. 15 of 1960 and amendments thereto and is listed on the Kuwait Stock Exchange. The Parent Company's registered address is Fahed Al Salem Street, Al Abrar Tower, P.O. Box 27068 Safat 13131, State of Kuwait. The main objectives of the Parent Company are:

- Providing airplane ground and cleaning services and supply of water and other airplane supplies;
- Leasing out airplanes;
- Tourism, travel and cargo shipment services;
- Managing projects;
- Investing surplus funds in investment portfolios managed by specialised institutions.
- The right to participate with other firms, which operate in the same field or those, which would assist in achieving its objectives in Kuwait or abroad, and to purchase those firms or participate in their equity.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 were authorised for issue by the board of directors on 19 March 2014 and are subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company is a subsidiary of Agility Public Warehousing Company K.S.C.P ("Ultimate Parent Company"), which is listed on the Kuwait Stock Exchange.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 was published in the official Gazette on 6 October 2013. As per Article three of the Executive Regulations, companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets available for sale that have been measured at fair value. The consolidated financial statements are presented in Kuwaiti Dinars ("KD") being the functional currency of the Parent Company.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

United Projects Company For Aviation Services K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

The subsidiaries of the Group are as follows:

| <i>Name of the company</i> | <i>Country of incorporation</i> | <i>Principal activity</i> | <i>Ownership %</i> | |
|--|---------------------------------|---------------------------|--------------------|-------------|
| | | | <i>2013</i> | <i>2012</i> |
| Royal Aviation Company K.S.C. (Closed) ("RAC") | Kuwait | Management and services | 66.57 | 66.57 |
| United National For Aviation Services Company W.L.L. ("UNASC") | Kuwait | Management and services | 51.00 | 51.00 |

Changes in accounting policy and disclosures

The accounting policies are consistent with those used in the previous year except for the adoption of the following new and amended IASB Standards during the year:

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment)

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by the Group, compared with the requirements that were in IAS 27. The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the entity. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Once control is established, the standard requires the Group to start consolidating the investee from the date the investor obtains control of the investee and cease consolidation when the investor loses control of the investee. The management has concluded based on its assessment that the adoption of this standard does not have any material impact on the financial position or performance of the Group.

IFRS 12: Disclosure of Interests in Other Entities

The standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if the Group concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the consolidated financial statements to make their own assessment of the financial impact were the Group to reach a different conclusion regarding consolidation.

The Group is required to disclose more information about the consolidated and unconsolidated structure entities with which it is involved or has sponsored. The adoption of this standard does not have any material impact on the consolidated financial information of the Group and the relevant disclosures are included in Note 3.

IFRS 13: Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The Group has provided these disclosures in Note 23.

IAS 1 Presentation of Financial Statements (Amendment)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to consolidated income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this standard has no effect on the financial position or performance of the Group and only resulted in presentation changes in the consolidated statement of comprehensive income.

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements. An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any IASB standards, International Financial Reporting Interpretations Committee ("IFRIC") interpretations or amendments that have been issued but not yet effective.

Revenue recognition

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

Rental income

Rental income from operating leases, less the Group's initial direct costs of entering into the leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when they arise.

Services income

Revenue from real estate activities such as security, cleaning and maintenance works are recognised when the related services are rendered.

Interest income

Interest income is recorded using the effective interest rate method.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Taxation

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

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

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When property and equipment are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated income statement.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

| | |
|------------------------|--------------|
| Office building | 10 years |
| Furniture and fixtures | 3 to 5 years |
| Computers | 3 to 5 years |
| Vehicles | 3 to 5 years |
| Tools and equipment | 3 to 5 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 arising from items of property and equipment.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The estimated useful lives of intangible assets are as follows:

| | |
|--|----------|
| Commercial complex of Kuwait International Airport | 20 years |
| Discovery Mall | 7 years |
| Sheikh Saa'd Terminal | 16 years |

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

The Group's share of result of associate is shown on the face of the consolidated income statement. This is the profit attributable to equity holders of the associate.

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

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

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

Financial instruments – initial recognition, subsequent measurement and de-recognition

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or financial assets available for sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include financial assets available for sale, receivables and cash and bank balances. As at 31 December 2013, the Group has neither held to maturity investments nor financial assets at fair value through profit or loss.

Subsequent measurement

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

Financial assets available for sale

Financial assets available for sale include equity and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and de-recognition (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets available for sale (continued)

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated income statement. Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Interest earned whilst holding financial assets available for sale is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its financial assets available for sale in the near term is appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available for sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to consolidated income statement over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables include rent receivables which are stated at original invoice amount less impairment, if any.

An estimate for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and de-recognition (continued)

(i) Financial assets (continued)

Impairment of financial assets

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

Financial assets available for sale

For financial asset available for sale, the Group assesses at each reporting date whether there is an objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and de-recognition (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded in the consolidated income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include accounts payable and other liabilities. As at 31 December 2013, the Group did not have any financial liabilities at fair value through profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and de-recognition (continued)

(ii) Financial liabilities (continued)

Subsequent measurement

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

Term loans

Term loans are carried on the consolidated statement of financial position at their principal amounts. Installments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in accrued expenses under 'accounts payable and other liabilities'.

Liabilities

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

Derecognition

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

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

(iii) Offsetting

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

(iv) Fair value

The Group measures financial instruments, such as, financial assets available for sale (excluding Managed Portfolio – Local Bonds, which are valued at cost), 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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. An analysis of fair values of financial instruments and non-financial assets and further details as to how they are measured are provided in Note 20.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and de-recognition (continued)

(iv) Fair value (continued)

All assets and liabilities for which fair value is measured or disclosed in the 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 unobservable

For assets and liabilities that are recognised in the consolidated 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.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets available for sale, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and cash equivalents

Cash and bank balances in the consolidated statement of financial position comprise cash in hand and at banks, cash held by portfolio manager and time deposits with an original maturity of upto three months.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of cash and bank balances as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as 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 each reporting date 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 incurred to settle the obligation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in treasury share reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the reserves. 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.

Employees' end of service benefits

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement.

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance and the reporting is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Significant accounting judgments, estimates and assumptions

Judgments

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

Impairment of financial assets available for sale

The Group treats equity financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires considerable judgment.

Estimates and assumptions

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

Useful lives of property and equipment and intangible assets

Management of the Group assigns useful lives and residual values to property and equipment and intangible assets based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Fair value of financial instruments

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of receivables

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

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.

Impairment of property and equipment and intangible assets

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

Standards issued but not yet effective

The following new or amended IASB Standards have been issued but not yet mandatory, and have not been adopted by the Group:

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The standard was initially effective for annual periods beginning on or after 1 January 2015, but International Accounting Standards Board ("IASB") in its July 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but is not expected to have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would have any impact on the Group

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

United Projects Company For Aviation Services K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

The application of these standards will be made in the consolidated financial statements when these standards become effective.

3 GROUP INFORMATION

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

| Name of the company | Country of incorporation | Principal activity | Ownership % | |
|--|--------------------------|-------------------------|-------------|-------|
| | | | 2013 | 2012 |
| Royal Aviation Company K.S.C. (Closed) ("RAC") | Kuwait | Management and services | 33.43 | 33.43 |
| United National For Aviation Services Company W.L.L. ("UNASC") | Kuwait | Management and services | 49.00 | 49.00 |

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

| | 2013 <u>RAC</u> KD 000's | 2012 <u>RAC</u> KD 000's |
|---|--------------------------------|--------------------------------|
| Summarised income statement: | | |
| Revenues | 1,313,161 | 1,817,863 |
| Operating costs | (604,133) | (507,321) |
| Net operating expenses | (287,551) | (614,307) |
| EBITDA | 421,477 | 696,235 |
| Depreciation and amortisation | (873,476) | (965,407) |
| EBIT | (451,999) | (269,172) |
| Finance cost | (93,135) | (119,564) |
| Profit for the year | (545,134) | (388,736) |
| Profit allocated to non-controlling interests | (167,515) | (130,298) |

UNASC is a dormant subsidiary and it did not have any operations during the year ended 31 December 2013.

United Projects Company For Aviation Services K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

3 GROUP INFORMATION (continued)

Summarised statement of financial position as at 31 December:

| | 2013 | | 2012 | |
|---|------------------|----------------|------------------|----------------|
| | RAC KD | UNASC KD | RAC KD | UNASC KD |
| Non-current assets | 8,315,469 | - | 9,187,961 | - |
| Current assets | 703,778 | 749,918 | 535,765 | 749,803 |
| Non-current liabilities | (22,099) | - | (176,231) | - |
| Current liabilities | (2,686,494) | - | (2,691,707) | - |
| Total equity | 6,310,654 | 749,918 | 6,855,788 | 749,803 |
| Accumulated balances of non-controlling interests: | 2,109,652 | 367,460 | 2,291,890 | 367,403 |

Summarised cash flow information for year ended 31 December:

| | 2013 | | 2012 | |
|--|----------------|-------------|---------------|-------------|
| | RAC KD | UNASC KD | RAC KD | UNASC KD |
| Operating | 320,158 | - | 991,564 | - |
| Investing | (975) | - | (5,965) | - |
| Financing | (43,135) | - | (919,564) | - |
| Net increase in cash and cash equivalents | 276,048 | - | 66,035 | - |

4 NET OTHER INCOME

| | 2013 KD | 2012 KD |
|----------------------|------------------|------------------|
| Miscellaneous income | 550,732 | 235,866 |
| Other service income | 711,724 | 874,350 |
| | 1,262,456 | 1,110,216 |

Miscellaneous income mainly comprises income earned from advertisement space rented, and other services rendered to tenants.

Other service income mainly comprises income earned from cancellation of rental contracts by tenants within the period of the rental agreement.

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the year (excluding treasury shares).

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

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5 BASIC AND DILUTED EARNINGS PER SHARE (continued)

| | <i>2013</i> <i>KD</i> | <i>2012</i> <i>KD</i> |
|---|--------------------------|--------------------------|
| Profit for the year attributable to equity holders of the Parent Company | <u>6,721,587</u> | <u>7,397,169</u> |
| | <i>Shares</i> | <i>Shares</i> |
| Weighted average number of paid up shares | <u>82,500,000</u> | <u>82,500,000</u> |
| Weighted average number of treasury shares | <u>(3,950,849)</u> | <u>(3,679,645)</u> |
| Weighted average number of shares, less treasury shares, outstanding during the year | <u>78,549,151</u> | <u>78,820,355</u> |
| Basic and diluted earnings per share | <u>85.57 fils</u> | <u>93.85 fils</u> |

6 INTANGIBLE ASSETS

Intangible assets represent cost incurred on the construction of the Discovery Mall, Sheikh Saa'd Terminal, car park and commercial complex of Kuwait International airport in accordance with Built-Own-Transfer (BOT) agreement with the government of Kuwait.

| | <i>2013</i> <i>KD</i> | <i>2012</i> <i>KD</i> |
|-----------------------------|--------------------------|--------------------------|
| Cost: | | |
| As at 1 January | 41,187,865 | 41,187,865 |
| Additions | 118,251 | - |
| As at 31 December | <u>41,306,116</u> | <u>41,187,865</u> |
| Amortisation: | | |
| As at 1 January | 18,883,138 | 16,137,271 |
| Charge for the year | 2,744,084 | 2,745,867 |
| As at 31 December | <u>21,627,222</u> | <u>18,883,138</u> |
| Net carrying amount: | | |
| As at 31 December | <u>19,678,894</u> | <u>22,304,727</u> |

Included in intangible assets is an amount of KD 2,398,136 (2012: KD 3,360,875) that represents the carrying value of Built-Own-Transfer (BOT) project for the construction of Discovery Mall (the "Mall"). This Mall was built on a leasehold land from the government of the State of Kuwait for 10 years which was then extended by seven months to 28 January 2014. The management believes that the agreement will be extended for additional 3 years and the delay in the extension of the agreement is due to the completion of certain legal and administrative formalities.

Included in intangible assets is an amount of KD 8,192,504 (2012: KD 8,988,401) that represents the carrying value of Built-Own-Transfer (BOT) project for the construction of Sheikh Saa'd Terminal (the "terminal"). During the year, the Civil Aviation Authority permitted Flydubai, one of the carriers to operate from the terminal. As a result of this, the management is confident that the carrying amount of the terminal is fully recoverable and no impairment is considered necessary.

Included in intangible assets is an amount of KD 9,088,254 (2012: KD 9,955,451) that represents the carrying value of Built-Own-Transfer (BOT) project for the construction of the car park and commercial complex of Kuwait International Airport. The management is confident that the carrying amount of the intangible asset is fully recoverable and no impairment is considered necessary.

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7 FINANCIAL ASSETS AVAILABLE FOR SALE

| | 2013 KD | 2012 KD |
|----------------------------------|------------------|------------------|
| Unquoted equity securities | 392,044 | 392,044 |
| Managed portfolios (local bonds) | 3,250,000 | 4,250,000 |
| | <u>3,642,044</u> | <u>4,642,044</u> |

Unquoted equity securities amounting to KD 392,044 (2012: KD 392,044) are carried at cost less impairment, if any, due to the non-availability of reliable measures of their fair values. Management has performed a review of its available for sale investments to assess whether impairment has occurred in these investments. Accordingly, an impairment loss of KD Nil (2012: KD Nil) was recorded in the consolidated income statement.

Unquoted debt securities in managed portfolios amounting to KD 3,250,000 (2012: KD 4,250,000) are carried at cost less impairment. Management has performed a review to assess whether impairment has occurred in these investments. Accordingly, an impairment loss of KD Nil (2012: KD Nil) was recorded in the consolidated income statement.

8 ACCOUNTS RECEIVABLE AND OTHER ASSETS

| | 2013 KD | 2012 KD |
|---|------------------|------------------|
| Rent receivables | 1,886,832 | 2,636,871 |
| Due from related parties (Note 13) | 10,654 | - |
| Due from a former shareholder | - | 1,500,388 |
| Prepayments | 34,594 | 13,418 |
| Other debit balances | 298,163 | 301,424 |
| | <u>2,230,243</u> | <u>4,452,101</u> |
| <i>Less:</i> | | |
| Provision against impairment of receivables | (269,818) | (2,288,626) |
| | <u>1,960,425</u> | <u>2,163,475</u> |

Movements in the provision against impairment of rent receivables and amounts due from a former shareholder were as follows:

| | 2013 KD | 2012 KD |
|------------------------------|----------------|------------------|
| At the beginning of the year | 2,288,626 | 3,559,189 |
| Charge for the year | 273,444 | 315,762 |
| Reversal during the year | - | (1,586,325) |
| Written off | (2,292,252) | - |
| | <u>269,818</u> | <u>2,288,626</u> |

During the year, the management of the Parent Company agreed with Kuwait National Airways K.S.C. (Closed) ("KNA") to receive an amount of KD 600,000 as a final settlement against all outstanding balances. Accordingly this amount is taken to the consolidated income statement since full provision was made against outstanding balance for KNA in earlier years.

Also, during the current year, certain receivables and other assets of KD 273,444 (2012: KD 315,762) were impaired and fully provided for.

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8 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

As at 31 December, the ageing of unimpaired rent receivables and due from a former shareholder is as follows:

| | Total KD | Neither past due nor impaired KD | Past due but not impaired | | | |
|------|-------------|--|---------------------------|-----------------------|-----------------------|-----------------------|
| | | | 1 - 30 days KD | 31 - 60 days KD | 61 - 90 days KD | Over 90 days KD |
| 2013 | 1,617,014 | 949,078 | 155,292 | 92,467 | 27,977 | 392,200 |
| 2012 | 1,848,633 | 1,353,897 | 329,824 | 98,947 | 49,474 | 16,491 |

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

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of cash flows consist of the following consolidated statement of financial position amounts:

| | 2013 KD | 2012 KD |
|------------------------|------------|------------|
| Cash and bank balances | 1,004,227 | 608,719 |
| Short term deposits | 9,971,411 | 15,901,000 |
| Cash and bank balances | 10,975,638 | 16,509,719 |
| Bank overdrafts | - | (101,109) |
| | 10,975,638 | 16,408,610 |

Short term deposits are denominated in KD and carry an effective interest rate ranges between 1.00% to 1.50% (2012: 1.25% to 2.13%) per annum.

10 SHARE CAPITAL AND RESERVES

a) Share Capital

As at 31 December 2013, the Parent Company's authorised, issued and fully paid share capital consists of 82,500,000 shares of 100 fils each (2012: 82,500,000 shares of 100 fils each) which is fully paid in cash.

b) Share Premium

The share premium is not available for distribution.

c) Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, the Parent Company has resolved not to increase the statutory reserve above an amount equal to 50% of its paid up share capital. Accordingly the transfer to statutory reserve, which is less than 10% of the profit for the year before Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration, is that amount required to raise the reserve to 50% of the paid up share capital.

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

d) Voluntary Reserve

According to the Parent Company's Articles of Association, 10% of the profit for the year before Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration shall be transferred to the voluntary reserve.

During the board of directors meeting held on 12 March 2013, the board of directors proposed to discontinue the transfers to the voluntary reserve and transfer the existing voluntary reserve of KD 2,664,513 to the retained earnings, which was approved by the annual general assembly of the shareholders of the Parent Company held on 15 April 2013.

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11 TREASURY SHARES

| | 2013 | 2012 |
|---------------------------------|-----------|-----------|
| Number of treasury shares | 3,980,000 | 3,660,000 |
| Percentage of issued shares (%) | 5 % | 4 % |
| Market value (KD) | 3,223,800 | 2,122,800 |

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

| | 2013 KD | 2012 KD |
|----------------------------------|------------------|------------------|
| Accounts payable | 1,812,136 | 2,528,050 |
| Accrued expenses | 513,053 | 538,360 |
| Tenant deposits | 2,305,742 | 2,189,218 |
| Provision for staff leave | 74,753 | 72,815 |
| Due to related parties (Note 13) | 85,872 | - |
| Rent received in advance | 1,595,348 | 274,988 |
| Other payables | 239,906 | 420,723 |
| | <u>6,626,810</u> | <u>6,024,154</u> |

13 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. major shareholders, associate, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions and balances and with related parties are as follows:

| | <i>Other related parties</i> | 2013 KD | 2012 KD |
|---------------------------------------|--------------------------------------|------------|------------|
| Consolidated income statement: | | | |
| Revenues | 274,262 | 274,262 | - |
| Operating costs | (370,662) | (370,662) | - |
| General and administrative expenses | (18,267) | (18,267) | - |

Balances with related parties are disclosed in Notes 8 and 12. These balances are non-interest bearing and receivable/payable on demand.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

| | 2013 KD | 2012 KD |
|------------------------------------|----------------|----------------|
| Short-term benefits | 176,694 | 245,272 |
| Employees' end of service benefits | 7,479 | 18,577 |
| | <u>184,173</u> | <u>263,849</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 COMMITMENTS

The Discovery Mall, car park and commercial complex of Kuwait International Airport (Note 6) are constructed on a leased land for which an annual lease payment of KD 690,888(2012: KD 690,888) has been made. The lease payments for the future periods are as follows:

| | <i>2013</i> <i>KD</i> | <i>2012</i> <i>KD</i> |
|------------------------|--------------------------|--------------------------|
| Not later than 5 years | 3,274,440 | 3,346,440 |
| Later than 5 years | 2,629,440 | 3,248,328 |
| | <u>5,903,880</u> | <u>6,594,768</u> |

15 CONTINGENCIES

As at 31 December 2013, the Group had contingent liabilities, amounting to KD 373,440 (2012: KD 210,975), in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

16 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

At the board of directors meeting held on 19 March 2014, the directors recommended distribution of cash dividend of 0.078 fils (2012: 197 fils) per share for the year ended 31 December 2013 and Board of Directors' remuneration of KD 25,000 (2012: KD 25,000). The proposed dividend, if approved, shall be payable to the shareholders registered in the Parent Company's records as of the date of the general assembly meeting. Board of Directors' remuneration is within the amount permissible under local regulations and is subject to approval by the annual general assembly of the shareholders of the Parent Company.

Proposed dividends in respect of the year ended 31 December 2012 amounting to KD 15,468,440 were paid subsequent to the approval by the Parent Company's general assembly of the shareholders on 15 April 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17 SEGMENTAL INFORMATION

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, taxation is managed on a Group basis and is not allocated to operating segments.

For management purposes, the Group is organised in two operating segments

- Investments: consists of investing surplus funds in investment portfolios
- Rental and other service operations: consists of leasing airplanes, managing projects and providing airplane ground and cleaning services and other service facilities.

| | <i>Investments</i> | | <i>Rental and other services operations</i> | | <i>Total</i> | |
|-------------------------------|--------------------|-------------------|---|-------------------|-------------------|-------------------|
| | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| Segment revenues | <u>318,692</u> | <u>778,765</u> | <u>12,499,480</u> | <u>12,336,258</u> | <u>12,818,172</u> | <u>13,115,023</u> |
| Segment profit | <u>310,812</u> | <u>659,201</u> | <u>6,579,081</u> | <u>6,972,978</u> | <u>6,889,893</u> | <u>7,632,179</u> |
| Unallocated expenses | | | | | <u>(335,821)</u> | <u>(365,308)</u> |
| Profit for the year | | | | | <u>6,554,072</u> | <u>7,266,871</u> |
| Depreciation and amortisation | <u>-</u> | <u>-</u> | <u>2,901,094</u> | <u>3,004,639</u> | <u>2,901,094</u> | <u>3,004,639</u> |
| Assets | <u>14,617,682</u> | <u>21,214,263</u> | <u>21,907,699</u> | <u>24,883,408</u> | <u>36,525,381</u> | <u>46,097,671</u> |
| Liabilities | <u>-</u> | <u>-</u> | <u>6,841,961</u> | <u>7,289,483</u> | <u>6,841,961</u> | <u>7,289,483</u> |
| Other disclosures: | | | | | | |
| Capital expenditure | <u>-</u> | <u>-</u> | <u>118,251</u> | <u>-</u> | <u>118,251</u> | <u>-</u> |

Capital expenditure represents additions to intangible assets.

All of the Group's operations are in Kuwait.

18 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, currency risk and equity price risk. The Group is also exposed to operational risks.

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its bank balances and receivables.

The maximum credit exposure is equal to the carrying amount of outstanding receivables and bank balances.

Receivables and other assets

The Group limits its credit risk with respect to customers/tenants by setting credit limits for individual customers/tenants, monitoring outstanding receivables, holding rent deposits and limiting transactions with specific counterparties.

Other than amount due from tenants which was substantially received subsequent to the year end, there is no significant concentration of credit risk within the Group.

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18 RISK MANAGEMENT (continued)

Credit risk (continued)

Cash and cash equivalents

The Group limits its credit risk with regard to bank deposits by dealing with reputable banks.

Liquidity risk

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

The Group limits its liquidity risk by ensuring facilities from banks and related parties are available.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payment obligations:

| 2013 | <i>On demand KD</i> | <i>Within 3 months KD</i> | <i>3 – 12 months KD</i> | <i>1 to 5 years KD</i> | <i>Total KD</i> |
|---|-----------------------------|-----------------------------------|---------------------------------|--------------------------------|---------------------|
| Accounts payable and other liabilities* | <u>3,729,403</u> | <u>714,253</u> | <u>587,806</u> | - | <u>5,031,462</u> |
| | <i>On Demand KD</i> | <i>Within 3 months KD</i> | <i>3 – 12 months KD</i> | <i>1 to 5 years KD</i> | <i>Total KD</i> |
| Bank overdrafts | 103,131 | - | - | - | 103,131 |
| Term loans | - | 328,640 | 492,960 | 158,250 | 979,850 |
| Accounts payable and other liabilities* | <u>3,383,369</u> | <u>1,754,622</u> | <u>611,175</u> | - | <u>5,749,166</u> |
| | <u>3,486,500</u> | <u>2,083,262</u> | <u>1,104,135</u> | <u>158,250</u> | <u>6,832,147</u> |

*Account payables and other liabilities exclude rent received in advance

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank deposits, bank overdrafts and term loans.

The Group is not significantly exposed to interest rate risk as the significant portion of the interest bearing liabilities were settled during the year i.e. bank overdrafts and term loans. The effective interest rates on bank deposits are disclosed in Note 9, which would have only a marginal effect on the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant.

Currency risk

The Group is not exposed to significant currency risk as a significant portion of the Group's assets and liabilities are denominated in KD.

Equity price risk

The Group also has unquoted debt and equity securities which are carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated income statement will be impacted. The Group is not materially exposed to equity price risk.

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18 RISK MANAGEMENT (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

19 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a leverage ratio, which is net debt divided by equity attributable to equity holders of the Parent Company. The Group's policy is to keep the gearing ratio less than 30%. The Group includes within net debt, term loans and accounts payable and other liabilities, less cash and cash equivalents.

| | <i>2013</i> <i>KD</i> | <i>2012</i> <i>KD</i> |
|---|--------------------------|--------------------------|
| Term loans | - | 950,000 |
| Accounts payables and other liabilities | 6,626,810 | 6,024,154 |
| <i>Less:</i> | | |
| Cash and cash equivalents | 10,975,638 | 16,408,610 |
| Net debt | (4,348,828) | (10,384,456) |
| Equity attributable to equity holders of the Parent Company | 27,206,309 | 36,163,562 |
| Gearing ratio (%) | - | - |

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, receivables and cash and bank balances. Financial liabilities consist of bank overdrafts, term loans and accounts payable.

The management assesses that the fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 7), are not materially different from their carrying values.

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21 COMPARATIVE INFORMATION

In the previous year certain expenses were classified under operating cost in the consolidated income statement for the year ended 31 December 2012. These amounts have been reclassified and disclosed separately.

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the comparative information for the previous year ended 31 December 2012 has been reclassified as follows to give effect to the above reclassifications:

| | <i>As previously reported KD</i> | <i>Effect of reclassification KD</i> | <i>Reclassified KD</i> |
|--------------------------------------|--|--|----------------------------|
| Consolidated income statement | | | |
| Operating costs | (5,007,012) | 4,070,300 | (936,712) |
| General and administrative expenses | (1,606,178) | (3,950) | (1,610,128) |
| Salaries and employee benefits | - | (1,073,714) | (1,073,714) |
| Net other income | 1,089,563 | 20,653 | 1,110,216 |
| Amortisation | - | (2,745,867) | (2,745,867) |
| Dividend income | 8,650 | (8,650) | - |

Such reclassifications were made to improve the quality of information presented and had no impact on the profit for the year ended 31 December 2012 and retained earnings as at 1 January 2013.