

Consolidated financial statements and independent auditors' report
Al Mal Investment Company – KSC (Closed) and subsidiaries
Kuwait

31 December 2011

Contents

	Page
Independent auditors' report	1 and 2
Consolidated statement of income	3
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6 to 7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9 to 42



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Independent auditors' report

To the shareholders of
Al Mal Investment Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Mal Investment Company – Kuwaiti Shareholding Company (Closed) and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards adopted for use by the state of Kuwait 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.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Al Mal Investment Company and its subsidiaries as at 31 December 2011, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the state of Kuwait.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the 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 Commercial Companies Law of 1960 and by the Company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law nor of the Company's articles of association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Company.

We further report that, during the course of our audit, we have not become aware of any material violations during the year, of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.

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of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Fawzia Mubarak Al-Hassawi
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Kuwait
4 April 2012

Consolidated statement of income

	Note	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Income			
Realised loss from sale of investments at fair value through profit or loss		(299,244)	(318)
Unrealised loss from investments at fair value through profit or loss		(16,163)	(855,500)
Realised loss on disposal of available for sale investments		(42,560)	(96,846)
Dividend income		669,878	942,241
Profit on disposal of subsidiary	8	2,061,317	-
Net income from communication services	9	206,973	112,563
Management fees and other income	10	941,341	1,975,747
Share of results of associates	19	(367,491)	3,815,577
Profit on disposal of associates	19	-	20,555,066
(Loss)/profit on sale of investment properties	20	(37,264)	106,913
Change in fair value of investment properties	20	(13,255,108)	5,468,909
Sukuk & interest income		684,142	867,541
		(9,454,179)	32,891,893
Expenses and other charges			
Finance costs	12	4,881,048	6,589,073
Staff costs		1,453,143	2,074,396
General, administrative and other expenses		1,143,874	1,523,338
Impairment of available for sale investments	17.2	1,172,113	3,996,543
Impairment of intangible assets	26	8,902	3,877,300
Impairment of receivables and other assets	16	15,794,650	2,997,172
Foreign exchange loss		138,606	782,789
		24,592,336	21,840,611
(Loss)/profit for the year before provision for NLST and Zakat		(34,046,515)	11,051,282
Provision for National Labour Support Tax (NLST)		-	(263,771)
Provision for Zakat		-	(105,861)
(Loss)/profit for the year		(34,046,515)	10,681,650
Attributable to :			
Owners of the parent company		(31,015,440)	12,016,616
Non-controlling interests		(3,031,075)	(1,334,966)
		(34,046,515)	10,681,650
Basic and diluted (loss)/earnings per share attributable to the owners of the parent company	13	(58.71) Fils	22.75 Fils

The notes set out on pages 9 to 42 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
(Loss)/profit for the year	(34,046,515)	10,681,650
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	(827,868)	(808,857)
Available for sale investments:		
- Net changes in fair value arising during the year	(1,190,203)	(3,618,538)
- Transferred to consolidated statement of income on disposal	(101,315)	(52,909)
- Transferred to consolidated statement of income on impairment	1,172,113	3,996,543
Share of other comprehensive income of associates	290,775	286,835
Total other comprehensive income for the year	(656,498)	(196,926)
Total comprehensive income for the year	(34,703,013)	10,484,724
Total comprehensive income attributable to:		
Owners of the parent company	(31,484,252)	11,974,527
Non-controlling interests	(3,218,761)	(1,489,803)
	(34,703,013)	10,484,724

The notes set out on pages 9 to 42 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2011 KD	31 Dec. 2010 KD
Assets			
Cash and cash equivalents	14	8,233,732	19,078,995
Investments at fair value through profit or loss	15	1,785,273	15,145,525
Accounts receivable and other assets	16	25,938,551	35,476,892
Available for sale investments	17	21,183,160	26,555,636
Investment in sukuk	18	6,172,525	6,177,737
Investment in associates	19	6,451,493	6,942,401
Investment properties	20	72,345,033	89,096,476
Property and equipment		959,021	1,075,406
Goodwill		90,332	90,332
Total assets		143,159,120	199,639,400
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	21	21,515,619	22,592,653
Borrowings	22	47,780,676	48,429,381
Bonds payable	23	13,320,000	33,320,000
Employees' end of service indemnity		463,455	454,816
Total liabilities		83,079,750	104,796,850
Equity			
Share capital	24	52,828,125	52,828,125
Share premium	25	18,375,000	18,375,000
Statutory reserve	25	4,802,301	4,802,301
Voluntary reserve	25	4,802,301	4,802,301
Foreign currency translation reserve	25	22,904	390,259
Cumulative changes in fair value	25	480,877	582,334
Accumulated losses		(35,081,756)	(4,066,316)
Equity attributable to owners of the parent company		46,229,752	77,714,004
Non-controlling interests	25	13,849,618	17,128,546
Total equity		60,079,370	94,842,550
Total liabilities and equity		143,159,120	199,639,400



Loay Jassim Al-Kharafi
Chairman and Managing Director

The notes set out on pages 9 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the parent company										Non-controlling interests		Total						
	Share capital		Share premium		Statutory reserve		Voluntary reserve		Foreign currency translation reserve		Cumulative changes in fair value			Accumulated losses		Sub-total			
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD		KD	KD	KD	KD		
Balance as at 1 January 2011	52,828,125	18,375,000	4,802,301	4,802,301	4,802,301	390,259	582,334	-	-	-	-	-	-	-	17,128,546	77,714,004	17,128,546	94,842,550	
Disposal of subsidiary (note 8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(60,167)	(60,167)
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	(31,015,440)	(3,031,075)	(31,015,440)	(3,031,075)	(34,046,515)	
Other comprehensive income for the year	-	-	-	-	-	(367,355)	(101,457)	-	-	-	-	-	-	-	(187,686)	(468,812)	(187,686)	(656,498)	
Total comprehensive income for the year	-	-	-	-	-	(367,355)	(101,457)	(31,015,440)	(31,484,252)	(3,218,761)	(3,218,761)	(3,218,761)	(3,218,761)	(3,218,761)	(3,218,761)	(3,218,761)	(3,218,761)	(34,703,013)	
Balance as at 31 December 2011	52,828,125	18,375,000	4,802,301	4,802,301	4,802,301	22,904	480,877	(35,081,756)	46,229,752	13,849,618	60,079,370	60,079,370	60,079,370	60,079,370	60,079,370	60,079,370	60,079,370	60,079,370	

The notes set out on pages 9 to 42 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent company										Non-controlling interests	Total			
	Share capital		Share premium		Statutory reserve		Voluntary reserve		Foreign currency translation reserve				Cumulative changes in fair value	Accumulated losses	Sub-total
	KD		KD		KD		KD		KD						
Balance as at 1 January 2010	52,828,125	-	18,375,000	-	4,802,301	-	4,802,301	-	753,918	-	260,764	(16,082,932)	65,739,477	18,618,349	84,357,826
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	12,016,616	12,016,616	(1,334,966)	10,681,650
Other comprehensive income for the year	-	-	-	-	-	-	-	(363,659)	(363,659)	321,570	321,570	-	(42,089)	(154,837)	(196,926)
Total comprehensive income for the year	-	-	-	-	-	-	-	(363,659)	(363,659)	321,570	321,570	12,016,616	11,974,527	(1,489,803)	10,484,724
Balance as at 31 December 2010	52,828,125	-	18,375,000	-	4,802,301	-	4,802,301	390,259	582,334	(4,066,316)	77,714,004	17,128,546	94,842,550		

The notes set out on pages 9 to 42 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
OPERATING ACTIVITIES			
(Loss)/profit for the year		(34,046,515)	11,051,282
Adjustments for:			
Impairment of available for sale investments		1,172,113	3,996,543
Impairment of intangible assets		8,902	3,877,300
Impairment of receivables and other assets		15,794,650	658,525
(Loss)/profit on sale of investment properties		37,264	(106,913)
Change in fair value of investment properties		13,255,108	(5,468,909)
Profit on disposal of subsidiary		(2,061,317)	-
Realised loss on sale of available for sale investments		42,560	96,846
Profit on disposal of associates		-	(20,555,066)
Dividend income		(669,878)	(942,241)
Share of results of associates		367,491	(3,815,577)
Depreciation		154,205	194,796
Provision for employees end of service benefits		104,478	106,025
Sukuk and interest income		(684,142)	(867,541)
Finance costs		4,881,049	6,589,073
Foreign exchange gain on non operating assets and liabilities		-	(297,995)
		(1,644,032)	(5,483,852)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		13,360,252	(12,462,677)
Accounts receivable and other assets		(5,889,427)	(983,206)
Accounts payable and other liabilities		(411,662)	4,021,476
Cash used in operations		5,415,131	(14,908,259)
Employee end of service benefits paid		(106,392)	(81,800)
Net cash from/(used in) operating activities		5,308,739	(14,990,059)
INVESTING ACTIVITIES			
Additions to available for sale investment		(699,313)	-
Proceeds from sale/redemption of available for sale investments		1,922,435	1,557,062
Net change in sukuk		5,212	628,697
Additions to property and equipment		(37,820)	(63,605)
Proceeds from sale of property and equipment		-	-
Proceeds from sale of subsidiary		4,741,358	-
Additions to investment properties		(9,409)	(1,968,597)
Proceeds from sale of investment properties		2,389,970	106,913
Addition to intangible asset		(8,902)	(314,626)
Additions to investment in associates		-	(397,557)
Proceeds from sale of shares in associate		-	38,908,497
Dividend received and return of capital from associates		221,310	564,888
Dividend income received		669,878	942,241
Sukuk and Interest income received		34,446	867,541
Increased in blocked deposits		-	(1,900,000)
Net cash from investing activities		9,229,165	38,931,454
FINANCING ACTIVITIES			
Proceeds from borrowings		5,273,195	7,238,705
Repayment of borrowings and bonds		(25,921,900)	(18,967,080)
Finance costs paid		(4,734,462)	(6,834,712)
Net cash used in financing activities		(25,383,167)	(18,563,087)
Net (decrease)/increase in cash and cash equivalents		(10,845,263)	5,378,308
Cash and cash equivalents at beginning of the year		17,178,995	11,800,687
Cash and cash equivalents at end of the year	14	6,333,732	17,178,995

The notes set out on pages 9 to 42 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

31 December 2011

1 Incorporation and activities

Al Mal Investment Company – KSC (Closed), (“the parent company”), is a Kuwaiti closed shareholding company established on 2 January 1980 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait and the Capital Market Authority as an investment company and its shares are listed on the Kuwait Stock Exchange. The parent company and its subsidiaries (listed in note 7) are together referred as “the group”.

The principal objectives of the parent company are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission;

Further, the Parent Company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the parent company’s registered office is Arabian Gulf Street, Ahmed Tower, Floor 23, PO Box 26308, Safat 13124, State of Kuwait.

The board of directors authorised these consolidated financial statements for issue on 4 April 2012. The general assembly of the Parent Company’s shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement of investments at fair value through profit or loss, available for sale financial assets and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars (KD).

The group has elected to present the “statement of comprehensive income” in two statements: the “statement of income” and a “statement of comprehensive income”.

3 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, as modified by the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait.

These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

4 Changes in accounting policies

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

4.1 New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that had or is expected to have a material impact on the group.

4.2 IASB Standards issued but not yet effective

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

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

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

4.2.1 IAS 1 Presentation of Financial Statements

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

- a) Potentially reclassifiable to consolidated statement of income in a subsequent period, and
- b) That will not be reclassified to consolidated statement of income subsequently.

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

4 Changes in accounting policies (continued)

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

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

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

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

4.2.4 IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment is not expected to have any significant impact on the financial position or performance of the Group.

4.2.5 IFRS 9 Financial Instruments

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

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

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

4.2.6 Consolidation Standards

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

4.2.6.1 IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

4.2.6.2 IFRS 11 Joint Arrangements

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

4 Changes in accounting policies (continued)

4.2.6.3 IFRS 12 Disclosure of Interests in Other Entities

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

4.2.7 IFRS 13 Fair Value Measurement

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The Group's management have yet to assess the impact of this new standard.

5 Summary of significant accounting policies

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

5.1. Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

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

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

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

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

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

5 Summary of significant accounting policies (continued)

5.2. Business combinations

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

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

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

5.3. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.12 for a description of impairment testing procedures.

5.4. Investment in associates

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

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

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

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

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

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

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

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

5.5 Segment reporting

The Group has three operating segments: Investment, real estate and finance segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

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

5.6 Revenue

Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable.

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

5.6.1 Rendering of services

The Group earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)

◦ *Fee income from providing transaction services*

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

The Group also earns income from communication services (from Tarasul Telecom) and are recorded when services are rendered.

5.6.2. Interest and sukuk income

Sukuk and interest income are recognised on a time proportion basis using effective interest method.

5.6.3. Revenue from sale of investment properties

Revenue from sale of investment properties is recognised on completion of sale contract and after transferring the risk and rewards associated with the Real Estate to the purchaser and the amount of revenue can be reliably measured.

5.6.4. Dividend income

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

5.7. Operating expenses

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

5.8. Borrowing costs

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

5.9. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. The group depreciates its property and equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

5.10. Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position -. Changes in fair value are taken to the consolidated statement of income.

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

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

5 Summary of significant accounting policies (continued)

5.11. Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

5.12. Impairment testing of goodwill and non financial assets

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

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

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

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

5 Summary of significant accounting policies (continued)

5.13. Financial instruments

5.13.1. Recognition, initial measurement and derecognition

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

5.13.2. Classification and subsequent measurement of financial assets

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

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

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

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

5 Summary of significant accounting policies (continued)

• *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

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

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

The Group categorises loans and receivables into following categories:

◦ *Investment in sukuk*

Investment in sukuk comprise investment in Islamic convertible debts instruments issued by a foreign real estate entity.

• *Cash and cash equivalents*

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

• *Receivables and other financial assets*

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

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

• *Financial assets at FVTPL*

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

The group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are as designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

5 Summary of significant accounting policies (continued)

◦ *AFS financial assets*

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

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

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

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

5.13.3. Classification and subsequent measurement of financial liabilities

The Group’s financial liabilities include borrowings, bonds payable and accounts payable and other liabilities. The subsequent measurement of financial liabilities depends on their classification.

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

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

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

• *Borrowings*

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

• *Bonds*

Bonds are carried on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated income statement over the life of the bonds using the effective interest rate method.

• *Accounts payables and other financial liabilities*

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

All interest-related charges are included within finance costs or interest income.

5 Summary of significant accounting policies (continued)

5.13.4. Amortised cost of financial instruments

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

5.13.5. Trade and settlement date accounting

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

5.13.6. Offsetting of financial instruments

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

5.13.7. Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

5.14. Equity, reserves and dividend payments

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

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

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Cumulative changes in fair value reserve – comprises gains and losses relating to available for sale financial assets

Accumulated losses includes all current and prior period losses. All transactions with owners of the parent are recorded separately within equity.

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

5.15. Treasury shares

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

5 Summary of significant accounting policies (continued)

5.14 Treasury shares (continued)

When the treasury shares are reissued, gains are credited to a separate account in equity, (the “gain on sale of treasury shares reserve”), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.16. Provisions, contingent assets and contingent liabilities

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

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

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

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

5.17. Foreign currency translation

5.17.1. Functional and presentation currency

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

5.17.2. Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, “fair value through profit or loss” is reported as part of the fair value gain or loss in the consolidated statement of income and “available for sale” are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5.17.3. Foreign operations

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

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

5 Summary of significant accounting policies (continued)

5.18. End of service indemnity

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

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

5.19. Taxation

5.19.1. National Labour Support Tax (NLST)

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

5.19.2. Kuwait Foundation for the Advancement of Sciences (KFAS)

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

5.19.3. Zakat

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

For the year ended 31 December 2011, the Parent Company has no liability towards NLST, KFAS and Zakat due to losses incurred. Under the NLST, KFAS and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

During the previous year contribution to KFAS has not been calculated as there were carried forward accumulated losses.

5.19.4. Fiduciary assets

Assets held in a trust or fiduciary capacity are not treated as assets of the group and, accordingly, they are not included in these consolidated financial statements.

6 Significant management judgements and estimation uncertainty

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

6.1. Significant management judgments

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

6 Significant management judgements and estimation uncertainty (continued)

6.1.1 Classification of financial instruments

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

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

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

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

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

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

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

The Group classifies property as property under development if it is acquired with the intention of development.

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

6.2 Estimates uncertainty

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

6.2.1 Impairment of goodwill and other intangible assets

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

6.2.2 Impairment of associates

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

6 Significant management judgements and estimation uncertainty (continued)

6.2.3. Impairment of available for sale equity investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment. In 2011 the Group recognised an impairment loss on available for sale investments (see note 17)

6.2.4 Impairment of loans and receivables

The group’s management reviews periodically items classified as loans and receivables to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. In 2011 the Group recognised impairment losses on loans and receivables (see notes 16).

6.2.5. Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date (see note 29.2).

6.2.6. Revaluation of investment properties

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

7 Subsidiaries

The significant subsidiaries which are directly owned by the parent company and consolidated to the group are as follows:

Name of the subsidiary	Place of incorporation	Percentage ownership		Principal activity
		2011	2010	
Tarasul Telecom Co. K.S.C.(Closed)	Kuwait	96.69%	96.69%	Communication services
Diyar Al-Kuwait Real Estate Company – KSC (Closed)	Kuwait	60.25%	60.25%	Real estate development
Al Mal International for Project Management Co.- WLL	Kuwait	80.00%	80.00%	Real estate project management
Al Mal Qatari Holding Company – KSC (Closed)	Kuwait	100%	100%	Real estate project management
United Investment Company SAL (note 8)	Lebanon	-	97.00%	Investment activities
Safe Hands Holding Co. – BSC (Closed)	Bahrain	60.72%	60.72%	Health care
Saudi Al Mal Co. – WLL	Kingdom of Saudi Arabia	100%	100%	Investment activities

8 Profit on disposal of subsidiary

During the year, the group disposed its 97% owned subsidiary, United Investment Company SAL (Lebanon) for a net consideration of USD17,200,644 (equivalent to KD4,741,358) resulting in a profit equivalent to KD2,061,317.

The carrying value of the disposed assets and transferred liabilities of the subsidiary on the date of disposal were as follows:

	KD
Total assets	2,762,913
Total liabilities	(22,705)
Non-controlling interest	(60,167)
	2,680,041
Sale proceeds	4,741,358
Profit recognised in the interim condensed consolidated statement of income	2,061,317

9 Net income from communication services

	2011 KD	2010 KD
Subscription, activation and installation income	896,181	1,214,915
Hardware and software sales and project/maintenance income	137,631	103,678
	1,033,812	1,318,593
Direct operating costs	(826,839)	(1,206,030)
	206,973	112,563

10 Management fees and other income

	2011 KD	2010 KD
Management and consultancy fees	309,338	1,531,048
Rent income	454,251	367,358
Other income	177,752	77,341
	941,341	1,975,747

11 Net loss or gain on financial assets

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

	2011 KD	2010 KD
Receivables		
- bank balances and short term deposits	34,446	261,139
- Investment in sukuk	649,696	606,402
- Impairment of receivables and other assets	(15,794,650)	(2,997,172)
Assets at fair value through profit or loss:		
- held for trading	(289,249)	87,039
- designated as such on initial recognition	-	(942,857)
Available for sale investments:		
- recognised directly in other comprehensive income(including minority share)	(119,405)	325,096
- recycled from other comprehensive income to consolidated statement of income		
• On impairment	(1,172,113)	(3,996,543)
• On disposal	101,315	52,909
- recognised directly in consolidated statement of income	499,845	792,486
	(16,090,115)	(5,811,501)
Net loss recognised in the consolidated statement of income	(15,970,710)	(6,136,597)
Net (loss)/gain recognised in other comprehensive income	(119,405)	325,096
	(16,090,115)	(5,811,501)

12 Finance costs

Finance costs relates mainly to borrowings and bonds payable. All these financial liabilities are stated at amortised cost.

13 Basic and diluted (loss)/earnings per share

(Loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year as follows:

	2011	2010
(Loss)/profit for the year attributable to the owners of the parent company (KD)	(31,015,440)	12,016,616
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	528,281,250	528,281,250
Basic and diluted (loss)/earnings per share (Fils)	(58.71)	22.75

14 Cash and cash equivalents

	2011 KD	2010 KD
Cash and bank balances	1,346,395	9,836,903
Short term deposits	5,202,683	4,954,709
Cash balances with portfolio managers	1,684,654	4,287,383
Cash and cash equivalent as per consolidated statement of financial position	8,233,732	19,078,995
Less: Blocked deposits *	(1,900,000)	(1,900,000)
Cash and cash equivalents as per consolidated statement of cash flow	6,333,732	17,178,995

* Short term deposits of KD1,900,000 related to a subsidiary company are pledged against islamic debt instruments of the same subsidiary.

Short term deposits carry an average effective interest rate of 1.08 % (2010: 1.32%).

15 Investments at fair value through profit or loss

	2011 KD	2010 KD
Held for trading :		
Quoted shares	-	66,375
Designated on initial recognition :		
Managed portfolios and funds	163,306	13,457,173
Unquoted shares	1,621,967	1,621,977
	1,785,273	15,079,150
	1,785,273	15,145,525

16 Accounts receivable and other assets

	2011 KD	2010 KD
Financial assets		
Advance payment to purchase investments (a)	9,823,831	14,158,655
Refundable development expenses (b)	14,103,846	12,469,189
Due from related parties (net of provision) (c)	14,361	7,273,868
Trade receivables	415,698	441,661
Accrued income	723,685	331,665
Other assets	857,130	801,854
	25,938,551	35,476,892

- a. Advance payment to purchase investments includes an amount of KD4,375,422 (31 December 2010: KD12,985,776) paid for the infrastructure of a telecommunication project in Iraq and for which a new Iraqi company is being established to own this project and to determine the eventual share of the group in its capital. During the year the parent company's management has made a provision of KD8,516,622 against the said project cost.

Advance payments to acquire investments also includes advances of KD3,958,975 paid during the year to participate in owning a company which will operate in the telecommunication sector in Iraq.

- b. Refundable development expenses represent development cost incurred to develop an economic city in the Kingdom of Saudi Arabia jointly with the Saudi authorities. The parent company is the main developer for this project. A new shareholding company is being incorporated in Saudi Arabia to own and manage this project. The legal formalities are currently in process to establish that Saudi shareholding company. As per the agreement, with Saudi authority on incorporation of the Saudi shareholding company the total expenses incurred for the project will be re-reimbursed to the group.
- c. During the year, the parent company's management decided to record a provision of KD7,182,374 which represents the remaining balance due from a related party. (31 December 2010: provision of KD2,338,647 which represents 25% of the balance due from a related party) (see note 28).
- d. During the year, the Group also made a provision of KD95,654 (2010: KD Nil) against certain doubtful trade receivables.
- e. During the previous year the Group's management decided to discontinue certain projects in process and consequently recognised an impairment loss of KD658,525 against these projects which were classified under accounts receivable and other assets.

17 Available for sale investments

	2011 KD	2010 KD
Investments in unquoted shares	10,065,066	13,326,400
Investments in private equity funds	7,188,419	8,546,697
Investments in direct equity funds	3,630,858	3,479,889
Investments in portfolios managed by others	298,817	1,202,650
	21,183,160	26,555,636

17.1 Available for sale investments include investments of KD2,274,862 (31 December 2010: KD6,207,259), carried at cost less impairment, if any, due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value. The group's management believes that the available information for those investments has not indicated any impairment/further impairment in value.

17.2 During the year, the group recognised an impairment loss of KD1,172,113 for certain local and other foreign unquoted investments (2010: KD3,996,543), based on estimates made by management and the net asset values reported by investment managers at the reporting date.

18 Investment in Sukuk

This represents investment by a subsidiary in convertible Sukuk issued by a foreign real estate institution and it carries profit at the rate of 9% per annum (2010: 9%). The sukuk's are due on different dates ending 30 September 2013.

19 Investment in associates

Company name	Ownership %	2011 KD	Ownership %	2010 KD
Ikarus Real Estate Co. – KSC (Closed) - Kuwait	25.00	49,918	25.00	583,779
Mac S.A. Incorporation Co. (Closed) - Tunisia	47.93	384,497	47.93	482,671
Falcon Aviation Group Limited- British Virgin Island	20.00	4,362,083	20.00	4,094,639
United Insurance Co. (Closed) - Syria	18.39	973,407	18.39	1,101,011
Mazaya Gateway Co. F.Z.C. – United Arab Emirates	25.00	292,262	25.00	292,262
AJ Mustathmer Al Watani - Libya	35.00	389,326	35.00	388,039
		6,451,493		6,942,401

19.1 The United Insurance Co. – Syria has been classified as investment in associate, as the group exercises significant influence over the operating and financial policies of this associate through representation in the board of directors of this company.

19.2 The group has recorded its share in United Insurance based on 30 September 2011 unaudited reviewed financial information. Except for Mazaya Gateway Co. F.Z.C, all other associates companies results have been recorded based on the latest available management accounts.

19.3 During the 3rd quarter of the previous year the group disposed 99.35% of its 47.37% holding in Safwan Trading and Contracting Company – KSC (Closed), an associate, for a consideration of K.D7,559,500 resulting in a profit of KD16,026. The remaining investment in the former associate amounting to KD48,647 (0.65%) was transferred to investment at fair value through profit or loss and subsequently sold.

19.4 During the 4th quarter of the previous year the group disposed its holding in Petroleum Coke Industries Company – KSC (Closed), an associate, for a consideration of K.D31,348,997 resulting in a profit of KD20,539,040.

Aggregate share of associates' assets and liabilities:

	2011 KD	2010 KD
Assets	15,052,756	12,467,092
Liabilities	(9,883,746)	(6,806,730)
Equity	5,169,010	5,660,362

Investment in associates include goodwill of KD1,282,483 (2010: KD1,282,039).

Aggregate share of associates' revenue and profit / (loss):

	2011 KD	2010 KD
Revenue	5,053,105	6,377,618
(Loss)/profit	(367,491)	3,815,577

The fair value of investment in associates at 31 December 2011 could not be reliably measured as the associates are unquoted and they do not have published quoted prices.

20 Investment properties

	2011 KD	2010 KD
Investment properties	8,320,547	8,947,445
Land and properties under development	64,024,486	80,149,031
	72,345,033	89,096,476

The movement for investment properties is as follows:

	2011 KD	2010 KD
Balance as of 1 January	89,096,476	81,973,269
Disposals during the year	(3,351,490)	-
Additions during the year	9,409	1,968,597
Change in fair value	(13,255,108)	5,468,909
Foreign currency translation adjustment arising on consolidation	(154,254)	(314,299)
	72,345,033	89,096,476

The fair market value of the properties have been determined based on values obtained by independent valuers and a bank for local properties.

During the year, the group sold certain investment properties located in Iraq, which were fully impaired for in previous years, for a consideration of KD122,850 (2010: KD106,913) resulting in a profit of the same amount being recognised in the consolidated statement of income.

During the year the group also disposed one of its investment properties located in Qatar, for a net consideration of KD3,191,376 resulting in a loss of KD160,114. An amount of KD801,406 which was payable on purchase of the investment property was set off against the net consideration due and the Group received in cash an amount of KD2,389,970.

Investment properties with a carrying value of KD5,639,158 (2010: KD5,637,945) of a local subsidiary are pledged against Islamic debt instruments of the same subsidiary.

The above properties are located in GCC and other Middle Eastern countries.

21 Accounts payables and other liabilities

	2011 KD	2010 KD
Financial liabilities		
Payables on purchase of investment properties*	11,267,670	12,111,435
Due to related parties (Note 28)	3,859,820	3,181,456
Accrued expenses	148,456	592,408
Accrued finance costs	551,583	1,030,636
Trade payable	3,892,160	3,244,500
Payable to contractors	1,337,944	1,325,785
Other credit balances	457,986	1,106,433
	21,515,619	22,592,653

* Payables on purchase of investment properties mature in instalments, and the maturity analysis is as follows:

	2011 KD	2010 KD
Less than 1 year	11,267,670	10,582,777
More than one year	-	1,528,656
	11,267,670	12,111,435

21 Accounts payables and other liabilities (continued)

The payable on purchase of investment property as of 31 December 2011 amounting to KD11,267,670, related to the purchase of land in Qatar with a carrying value of KD64,024,486 at the reporting date, are current liabilities due to its maturity as at 1 January 2012.

22 Borrowings

	2011 KD	2010 KD
Loans	28,622,250	29,818,953
Islamic debt instruments	19,158,426	18,610,428
	47,780,676	48,429,381

22.1 The following is the maturity analysis of loans and Islamic debt instruments:

	2011 KD	2010 KD
Less than 1 year	21,450,368	18,818,953
From 1 year to 5 years	26,330,308	29,610,428
	47,780,676	48,429,381

22.2 Loans and facilities have been granted to the parent company based on negative pledges on the parent company's assets.

22.3 Term deposits and investment properties of a local subsidiary are pledged against Islamic debt instruments of KD8,158,426 (2010: KD7,610,428) related to that subsidiary (note 14 and 20).

22.4 The effective average interest rate of loans is 6.3% (2010: 6.5%).

22.5 The effective cost rate of the Islamic debt instruments is 6.96% (2010: 7.46%)

23 Bonds payable

During October 2007, the parent company entered into an agreement to issue unsecured fixed rate bonds of KD 10,000,000 and floating rate bonds of KD3,320,000 at an issue price of 100% of their principal amount. with original maturity on 2 October 2010. On 23 September 2010, with the consent of the bond holders the maturity of the bonds were extended until 2 October 2012. The bonds bear fixed interest rate at 8.875% per annum and the floating bonds bear floating interest rate at 5.5% over the Central Bank of Kuwait discount rate. Interest is payable semi-annually in arrears.

On 5 April 2005, the parent company issued unsecured bonds of KD20,000,000 at an issue price of 100% of their principal amount with original maturity on 5 April 2010. On 29 March 2010 the maturity of the bonds were extended until 5 April 2011. These bonds were fully settled in April 2011.

24 Share capital

The authorised, issued and paid up capital of the parent company amounts to KD52,828,125 distributed over 528,281,250 shares of 100 fils par value each as of 31 December 2011 and 2010.

25 Reserves and non-controlling interests

		2011 KD	2010 KD
Share premium	25.1	18,375,000	18,375,000
Statutory reserve	25.2	4,802,301	4,802,301
Voluntary reserve	25.3	4,802,301	4,802,301
Foreign currency translation reserve	25.4	22,904	390,259
Cumulative changes in fair value	25.5	480,877	582,334
<hr/>			
Non-controlling interests	25.6	13,849,618	17,128,546

25.1 Share premium

Share premium is not available for distribution, except as stipulated by Commercial Companies Law.

25.2 Statutory reserve

In accordance with the Commercial Companies Law and the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to statutory reserve. No transfer is required in a year when losses are made or where cumulative losses exist. The Parent Company may resolve to discontinue such annual transfer when the reserve equals or exceeds 50% of the paid-up share capital.

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

25.3 Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to voluntary reserve. The Parent Company may resolve to discontinue such transfers by a resolution of the Parent Company's board of directors. There are no restrictions on distribution of voluntary reserve. No transfer is required in a year when losses are made or when cumulative losses exist.

25.4 Foreign currency translation reserve

	2011 KD	2010 KD
Balance at 1 January	390,259	753,918
Exchange differences arising on translation of foreign operations	(658,130)	(650,494)
Groups share of associates foreign currency translation reserve	290,775	286,835
Balance at 31 December	22,904	390,259

25.5 Cumulative changes in fair value

	2011 KD	2010 KD
Balance at 1 January	582,334	260,764
Net changes in fair value arising during the year	(1,172,255)	(3,622,064)
Transferred to consolidated statement of income on disposal	(101,315)	(52,909)
Transferred to consolidated statement of income on impairment	1,172,113	3,996,543
Balance at 31 December	480,877	582,334

25 Reserves and non-controlling interests (continued)

25.6 Non-controlling interests

	2011 KD	2010 KD
Balance at 1 January	17,128,546	18,618,349
Increase in non-controlling interests on disposal of subsidiary	(60,167)	-
Increase in non-controlling interests due to acquisition of new subsidiary	-	-
Loss for the year	(3,031,075)	(1,334,966)
Non controlling interest portion of subsidiaries cumulative change in fair value	(17,948)	3,526
Exchange differences arising on translation of foreign operations	(169,738)	(158,363)
Balance at 31 December	13,849,618	17,128,546

26 Intangible assets

	2011 KD	2010 KD
Model Hospitals project:		
The movement in intangible asset is as follows:		
At the beginning of the year	-	3,562,674
Additions	8,902	314,626
Impairment of intangible assets	(8,902)	(3,877,300)
At the end of the year	-	-

Intangible assets were related to a consolidated subsidiary. It represented the cost of acquisition of the subsidiary of a model hospitals project and subsequent development cost related to the project. The total costs incurred mainly consists of payments made in relation to acquiring/executing the royalty, idea, business plan agreements and also includes expenditures incurred for developing the project.

The project was classified as intangible asset as it creates one standard model of hospital which is customized to meet different requirements of GCC countries.

During the previous year the Group's management has assessed the recoverability of the intangible asset, and due to uncertainties regarding the completion of the project and its ability to generate revenue, the management concluded to fully impair the intangible asset balance at the reporting date.

27 Segmental information

The group activities are concentrated in three main segments: real estate, investment and finance. The segments' results are reported to the higher management in the group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the group operates in.

27 Segmental information (continued)

27.1 The following is the segments information, which conforms with the internal reporting presented to management:

	2011				
	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Total income	(12,838,121)	2,005,737	684,142	694,063	(9,454,179)
Expenses and other charges	(1,001,629)	(18,219,094)	(4,881,048)	(490,565)	(24,592,336)
Loss for the year	(13,839,750)	(16,213,357)	(4,196,906)	203,498	(34,046,515)
Assets	72,345,033	54,295,343	11,375,208	5,143,536	143,159,120
Liabilities	(12,605,614)	(6,143,969)	(61,100,676)	(3,229,491)	(83,079,750)
Net assets	59,739,419	48,151,374	(49,725,468)	1,914,045	60,079,370
Sukuk and interest income	-	-	684,142	-	684,142
Interest expense	-	-	(4,881,048)	-	(4,881,048)
Impairment in value of investments	-	(1,172,113)	-	-	(1,172,113)
Impairment of intangible assets	-	(8,902)	-	-	(8,902)
Impairment of receivables and other assets	-	(15,794,650)	-	-	(15,794,650)
	2010				
	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Total income	5,575,823	24,360,220	682,554	2,273,296	32,891,893
Expenses and other charges	(899,561)	(10,487,216)	(6,589,073)	(3,864,761)	(21,840,611)
Profit/(loss) for the year before provision for NLST & zakat	4,676,262	13,873,004	(5,906,519)	(1,591,465)	11,051,282
Assets	89,096,476	86,486,408	11,132,446	12,924,070	199,639,400
Liabilities	(12,111,435)	(3,004,670)	(81,749,381)	(7,931,364)	(104,796,850)
Net assets	76,985,041	83,481,738	(70,616,935)	4,992,706	94,842,550
Sukuk and interest income	-	-	867,541	-	867,541
Interest expense	-	-	(6,589,073)	-	(6,589,073)
Impairment in value of investments	-	(3,996,543)	-	-	(3,996,543)
Impairment of intangible assets	-	(3,877,300)	-	-	(3,877,300)
Impairment of receivables and other assets	-	(2,997,172)	-	-	(2,997,172)

27.2 The geographical analysis is as follows:

	2011		
	Domestic KD	International KD	Total KD
Total income	419,315	(9,873,494)	(9,454,179)
Loss for the year	(6,951,817)	(27,094,698)	(34,046,515)
Total assets	23,165,476	119,993,644	143,159,120
Total liabilities	(67,353,690)	(15,726,060)	(83,079,750)
Net assets	(44,188,214)	104,267,584	60,079,370

27 Segmental information (continued)

27.2 The geographical analysis is as follows: (continue)

	2010		Total KD
	Domestic KD	International KD	
Total income	25,801,992	7,089,901	32,891,893
Profit for the year before provision for NLAT and Zakat	2,979,269	8,072,013	11,051,282
Total assets	35,020,029	164,619,371	199,639,400
Total liabilities	(89,497,881)	(15,298,969)	(104,796,850)
Net assets	(54,477,852)	149,320,402	94,842,550

28 Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control.

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

	2011 KD	2010 KD
Balances in the consolidated statement of financial position:		
Due from related parties (see note 16)*	14,361	7,273,868
Due to related parties (see note 21)	3,859,820	3,181,456
Due to related parties included in trade payables (note 21)	1,572,624	1,643,634

During the previous year the group received interest free advances of KD2,750,000 from related parties with no specific repayment terms.

* Due from related parties as at 31 December 2010 included an advance of KD7,015,943 (net of provision) for increase in share capital of Mazaya Gateway an associate company. This was fully provided for during the year (refer note 16c).

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Transactions included in the consolidated statement of income:		
Project income included in net income from communication services	61,600	-
Management fees and other income	55,420	1,278,788
Provision for impairment of receivables* (refer note 16c)	7,182,374	2,338,647
Key management compensation:		
Short term benefits	412,984	739,339
Employees end of service indemnity	35,845	17,279

Pricing policies and the terms of these transactions are approved by the Group's management.

Transactions with related parties are subject to approval of the shareholders at the general assembly meeting.

29 Financial assets and liabilities

29.1 Categories of financial assets and liabilities

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

	2011 KD	2010 KD
Receivables:		
• Cash and cash equivalents	8,233,732	19,078,995
• Accounts receivable and other assets	25,938,551	35,476,892
• Investments in sukuk	6,172,525	6,177,737
Investments at fair value through profit or loss:		
• Held for trading	-	66,375
• Designated on initial recognition	1,785,273	15,079,150
Available for sale investments	21,183,160	26,555,636
	63,313,241	102,434,785
Other financial liabilities:		
• Accounts payable and other liabilities	21,515,619	22,592,653
• Borrowings	47,780,676	48,429,381
• Bonds payable	13,320,000	33,320,000
	82,616,295	104,342,034

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the parent company's management, except for certain available for sale investments which are carried at cost less impairment for reasons specified in Note 17, the carrying amounts of financial assets and liabilities as at 31 December 2011 and 2010 approximate their fair values.

29.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

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

29 Financial assets and liabilities (continued)

29.2 Fair value hierarchy for financial instruments measured at fair value (continued)

31 December 2011		Level 1	Level 2	Level 3	Total Balance
	Note	KD	KD	KD	KD
Assets at fair value					
Investment at fair value through profit or loss:					
-	Managed portfolios and funds (International)	b	-	163,306	163,306
-	Unquoted shares	c	-	1,621,967	1,621,967
Available for sale investments:					
-	Unquoted shares	c	89,076	7,701,127	7,790,203
-	Private equity funds	d	-	7,188,419	7,188,419
-	Direct equity funds	d	-	3,630,859	3,630,859
-	Portfolios managed by others	e	-	298,817	298,817
Total assets			89,076	20,604,495	20,693,571

31 December 2010		Level 1	Level 2	Level 3	Total Balance
	Note	KD	KD	KD	KD
Assets at fair value					
Investment at fair value through profit or loss:					
-	Quoted shares	a	66,375	-	66,375
-	Managed portfolios and funds (International)	b	13,314,561	142,612	13,457,173
-	Unquoted shares	c	825,263	796,714	1,621,977
Available for sale investments:					
-	Unquoted shares	c	623,824	6,786,484	7,410,308
-	Private equity funds	d	-	8,546,697	8,546,697
-	Direct equity funds	d	499,625	2,980,265	3,479,890
-	Portfolios managed by others	e	911,483	-	911,483
Total assets			16,174,756	19,252,772	35,493,903

Fair value measurements

The group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	2011 KD	2010 KD
Opening balance	19,252,772	17,895,249
Change in fair value	238,664	(888,137)
Net disposal	(455,536)	-
Additions during the year (transferred from level 2 to level 3)	2,357,406	2,497,399
Impairment of level 3 investments	(788,811)	(251,739)
Closing balance	20,604,495	19,252,772

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

Measurement at fair value

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

29 Financial assets and liabilities (continued)

a) Quoted shares

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

b) Managed portfolio and funds (International)

The underlying investments in managed portfolios and funds represents quoted bonds and securities and unquoted securities. They are valued based on latest reports received from the managers.

c) Unquoted shares

These represent holdings in local and foreign unlisted securities which are measured at fair value. Fair value is estimated based on the average of recent transaction prices for these investments and other valuation techniques.

d) Private and direct equity funds

The underlying investments in these private and direct equity funds mainly represent local and foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

e) Portfolios managed by others

The underlying investments in managed portfolios represent quoted and unquoted securities. They are valued based on latest fund managers reports.

30 Risk management objectives and policies

The Group's principal financial liabilities comprise, borrowings bonds payable and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits, investment in Sukuk and investment securities which arise directly from operations.

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

The parent company's board of directors sets out policies for reducing the risks discussed below.

The Group does not use derivative financial instruments.

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

30.1 Market risk

a) Foreign currency risk

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

The group mainly operates in the Middle Eastern countries, Europe and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Qatari Riyals and Euro. The group's balance sheet can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed by the group by diversifying its investments geographically and monitoring the foreign currency movements and the groups open positions on a regular basis.

The group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

30 Risk management objectives and policies (continued)

30.1 Market risk (continued)

a) Foreign currency risk (continued)

	2011 Equivalent KD	2010 Equivalent KD
US Dollars	2,218,349	13,656,257
Qatari Riyal	(11,267,266)	(12,173,344)
Euro	6,172,525	6,177,737

If the Kuwaiti Dinar had strengthened against the foreign currencies by 5.7% (2010: 5.7%), then this would have the following impact on the profit/loss for the year. There is no impact on the group's equity.

	Profit/(loss) for the year	
	2011 KD	2010 KD
US Dollars	(126,446)	(778,407)
Qatari Riyal	642,234	693,881
Euro	(351,834)	(352,131)
Total (loss)/profit	163,954	(436,657)

If the Kuwaiti Dinar had weakened against the foreign currencies by 5.7% (2010: 5.7%), then there would be an equal and opposite impact on the profit/loss for the year, and the negative balances shown above would be positive and positive balances will be negative.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to its short term deposits (refer note 14), borrowings (refer note 22) and bonds payable (refer note 23) which are both at fixed rate and floating interest rates. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

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

The following table illustrates the sensitivity of the profit/(loss) for the year to reasonable possible change of interest rate of +75 (0.75%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on group's equity.

	Increase in interest rates		Decrease in interest rates	
	2011 KD	2010 KD	2011 KD	2010 KD
Increase/(decrease) in (loss)/profit for the year	(368,586)	(336,710)	368,586	336,710

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its price issuer or factors affecting all instruments, traded in the market. The group is not exposed to any significant price risks as of 31 December 2011 as majority of the company's investments are unquoted.

30 Risk management objectives and policies (continued)

30.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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

	2011 KD	2010 KD
Cash and cash equivalents	8,233,732	19,078,995
Investment at fair value through profit or loss (managed portfolios) (refer note 15)	163,306	13,457,173
Investment in Sukuk	6,172,525	6,177,737
Accounts receivable and other assets (note 16)	25,938,551	35,476,892
Available for sale investments (note 17)	21,183,160	26,555,636
	61,691,274	100,746,433

Except for certain available for sale investment and other assets as stated in note 17 and 16 respectively, none of the above financial assets are past due or impaired. The group continuously monitors defaults of customers and other counter parties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

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

The credit risk for cash and bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 30.3

30.3 Concentration of assets

The distribution of financial assets and financial liabilities by geographic region for 2011 and 2010 is as follows:

	Kuwait KD	GCC KD	Asia & Africa KD	Europe KD	USA KD	Total KD
At 31 December 2011						
Cash and cash equivalents	6,410,853	115,836	153,057	1,553,986	-	8,233,732
Investments at fair value through profit or loss	825,000	796,714	253	163,306	-	1,785,273
Accounts receivable and other assets (refer note 16)	4,849,364	18,589,258	697,502	1,802,427	-	25,938,551
Available for sale investments	7,178,128	2,996,888	1,986,716	2,705,926	6,315,502	21,183,160
Investment in Sukuk				6,172,525	-	6,172,525
	19,263,345	22,498,696	2,837,528	12,398,170	6,315,502	63,313,241
Accounts payable and other liabilities	5,807,176	15,669,765	38,678	-	-	21,515,619
Borrowings	47,780,676	-	-	-	-	47,780,676
Bonds payable	13,320,000	-	-	-	-	13,320,000
	66,907,852	15,669,765	38,678	-	-	82,616,295

30 Risk management objectives and policies (continued)

30.3 Credit risk (continued)

	Kuwait KD	GCC KD	Asia & Africa KD	Europe KD	USA KD	Total KD
At 31 December 2010						
Cash and cash equivalents	14,563,397	4,368,991	51,770	28,512	66,325	19,078,995
Investments at fair value through profit or loss	891,375	14,111,274	264	142,612	-	15,145,525
Accounts receivable and other assets (refer note 16)	15,224,272	19,556,915	695,705	-	-	35,476,892
Available for sale investments	7,242,648	4,384,883	4,843,930	2,660,586	7,423,589	26,555,636
Investment in Sukuk	-	-	-	6,177,737	-	6,177,737
	37,921,692	42,422,063	5,591,669	9,009,447	7,489,914	102,434,785
Accounts payable and other liabilities	7,651,302	14,936,037	5,314	-	-	22,592,653
Borrowings	48,110,428	318,953	-	-	-	48,429,381
Bonds payable	33,320,000	-	-	-	-	33,320,000
	89,081,730	15,254,990	5,314	-	-	104,342,034

30.4 Liquidity risk

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

The table below summarises the maturity profile of the group's assets and liabilities. Except for investments carried at fair value through profit or loss, investment in associates, available for sale investments and investment properties, the maturities of assets and liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date. The maturity profile for investments carried at fair value through profit or loss, investment in associates, available for sale investments and investment properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of all assets and liabilities at 31 December 2011 and 2010:

	1 year KD	1 -5 years KD	Over 5 years KD	Total KD
At 31 December 2011				
ASSETS				
Cash and cash equivalents	8,233,732	-	-	8,233,732
Investment at fair value through profit or loss	1,785,273	-	-	1,785,273
Investment in sukuk	1,844,684	4,327,841	-	6,172,525
Accounts receivable and other assets	22,912,955	3,025,596	-	25,938,551
Available for sale investments	-	21,183,160	-	21,183,160
Investment in associates	-	6,451,493	-	6,451,493
Investment properties	64,024,486	8,320,547	-	72,345,033
Property and equipment	-	-	959,021	959,021
Goodwill	-	-	90,332	90,332
	98,801,130	43,308,637	1,049,353	143,159,120
LIABILITIES				
Accounts payable and other liabilities	21,055,799	459,820	-	21,515,619
Borrowings	21,450,368	26,330,308	-	47,780,676
Bonds payable	13,320,000	-	-	13,320,000
Employees' end of service indemnity	-	-	463,455	463,455
	55,826,167	26,790,128	463,455	83,079,750

30 Risk management objectives and policies (continued)

30.4 Liquidity risk (continued)

	1 year KD	1 -5 years KD	Over 5 years KD	Total KD
At 31 December 2010				
ASSETS				
Cash and cash equivalents	19,078,995	-	-	19,078,995
Investment at fair value through profit or loss	15,145,525	-	-	15,145,525
Investment in sukuk	-	6,177,737	-	6,177,737
Accounts receivable and other assets	22,749,791	12,727,101	-	35,476,892
Available for sale investments	-	26,555,636	-	26,555,636
Investment in associates	-	6,942,401	-	6,942,401
Investment properties	-	89,096,476	-	89,096,476
Property and equipment	-	-	1,075,406	1,075,406
Goodwill and intangible assets	-	-	90,332	90,332
	56,974,311	141,499,351	1,165,738	199,639,400
LIABILITIES				
Accounts payable and other liabilities	21,063,995	1,528,658	-	22,592,653
Borrowings	18,818,953	29,610,428	-	48,429,381
Bonds payable	20,000,000	13,320,000	-	33,320,000
Employees' end of service indemnity	-	-	454,816	454,816
	59,882,948	44,459,086	454,816	104,796,850

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

	Up to 1 month KD	1-3 Months KD	3-12 months KD	Over 1 Year KD	Total KD
31 December 2011					
Financial liabilities					
Accounts payable and other liabilities	-	-	21,055,799	459,820	21,515,619
Borrowings	-	4,071,549	19,644,399	29,448,438	53,164,386
Bonds payable	-	354,675	13,896,550	-	14,251,225
Employees' end of service indemnity	-	-	-	463,455	463,455
	-	4,426,224	54,596,748	30,371,713	89,394,685
31 December 2010					
Financial liabilities					
Accounts payable and other liabilities	-	-	21,063,995	1,528,658	22,592,653
Borrowings	-	2,363,898	19,018,870	32,287,938	53,670,706
Bonds payable	-	-	21,996,755	14,473,100	36,469,855
Employees' end of service indemnity	-	-	-	454,816	454,816
	-	2,363,898	62,079,620	48,744,512	113,188,030

31 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital.

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year as compared to the previous year. The capital structure of the Group consists of the following:

31 Capital risk management (continued)

	2011 KD	2010 KD
Borrowings (refer note 22)	47,780,676	48,429,381
Bonds payable (refer note 23)	13,320,000	33,320,000
Less: Cash and cash equivalents (refer note 14)	(8,233,732)	(19,078,995)
Net debt	52,866,944	62,670,386
Total equity	60,079,370	94,842,550
Total Capital	112,946,314	157,512,936

In order to maintain or adjust the capital structure, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

	2011 KD	2010 KD
Net debt	52,866,944	62,670,386
Total capital	112,946,314	157,512,936
Gearing ratio	47%	40%

32 Contingent liabilities and commitments

	2011 KD	2010 KD
Bank guarantees issued	40,000	56,050
Uncalled instalment for financial investments	997,777	1,061,386
Capital commitment related to intangible asset	1,365,306	1,350,378

33 Assets under management

The Group manages mutual funds, portfolios on behalf of its major shareholders, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 31 December 2011 amounted to KD73,209,140 (31 December 2010: KD28,373,000) of which assets managed on behalf of its related parties amounted to KD10,000,000 (31 December 2010 : KD10,000,000).

During the year total fees earned by the group from assets under management amounted to KD55,421 (2010: KD32,262)

34 Proposed dividend

The Board of Directors proposed not to distribute any dividend for the year ended 31 December 2011. This proposal is subject to the approval of the general assembly of the shareholders. No dividends were distributed for the year ended 31 December 2010.

35 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity and net results for the year or net increase in cash and cash equivalents.