

Consolidated financial statements and independent auditors' report
National Industries Group Holding – SAK and Subsidiaries
Kuwait
31 December 2011

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Independent auditors' report

To the shareholders of
National Industries Group Holding – SAK
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Industries Group Holding – (A Kuwaiti Shareholding Company) 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, 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 National Industries Group Holding 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.

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.

Abdullatif M. Al-Aiban (CPA)
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of Allied Accountants

Kuwait
29 March 2012

Consolidated statement of income

	Note	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Sales		103,688	98,072
Cost of sales		(78,188)	(75,522)
Gross profit		25,500	22,550
Profit on disposal of subsidiary		-	646
Income from investments	8	24,838	32,390
Share of results of associates	17	14,464	29,680
Realised loss on disposal of investment properties		(353)	-
Changes in fair value of investment properties	18	460	(3,015)
Interest and other income	9	7,516	4,426
Distribution costs		(4,881)	(4,720)
General, administrative and other expenses		(22,335)	(21,949)
Gain on foreign currency exchange		2,189	5,403
		47,398	66,411
Finance costs	11	(40,866)	(37,359)
Impairment in value of available for sale investments	19c	(40,061)	(42,830)
Effect of discounting on accounts receivable	21c	(867)	-
Impairment in value of investment in associates		-	(397)
Impairment in value of goodwill	15	-	(1,326)
Impairment in value of receivables and other assets	21b	-	(6,603)
Reversal of provision/(provision for) onerous property leases and dilapidations	29	2,068	(2,693)
Loss before taxation and other statutory contributions		(32,328)	(25,797)
Taxation and other statutory contributions	12	(1,704)	(411)
Loss for the year	13	(34,032)	(26,208)
Attributable to :			
Owners of the parent		(28,757)	(19,200)
Non-controlling interests		(5,275)	(7,008)
		(34,032)	(26,208)
Basic and diluted loss per share attributable to the owners of the parent	14	(23) Fils	(15) Fils

The notes set out on pages 10 to 61 form an integral part of these consolidated financial statements.

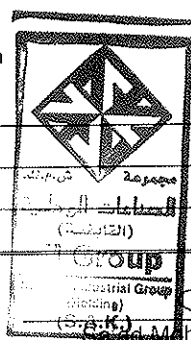
Consolidated statement of comprehensive income

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Loss for the year	(34,032)	(26,208)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	(425)	(827)
Available for sale investments		
- Net changes in fair value arising during the year	(73,535)	56,011
- Transferred to consolidated statement of income on disposals	(13,856)	(5,757)
- Transferred to consolidated statement of income on impairment	40,061	42,830
Share of other comprehensive income of associates		
- Changes in fair value	(12,588)	2,197
- Exchange differences	(1,670)	(968)
Total other comprehensive income for the year	(62,013)	93,486
Total comprehensive income for the year	(96,045)	67,278
Total comprehensive income attributable to:		
Owners of the parent	(86,131)	65,410
Non-controlling interests	(9,914)	1,868
	(96,045)	67,278

The notes set out on pages 10 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Assets			
Non-current assets			
Goodwill	15	6,645	6,718
Property, plant and equipment	16	65,316	67,201
Investment in associates	17	283,126	272,494
Investment properties	18	13,912	36,642
Available for sale investments	19	739,325	790,353
Accounts receivable	21	7,848	-
Total non-current assets		1,116,172	1,173,408
Current assets			
Inventories	20	23,602	20,053
Available for sale investments	19	86,713	104,514
Accounts receivable and other assets	21	68,224	59,182
Murabaha and wakala investments	22	8,413	15,263
Investments at fair value through profit or loss	23	81,816	119,118
Short-term deposits	32	79,041	104,565
Bank balances and cash	32	35,724	38,002
Total current assets		383,533	460,697
Total assets		1,499,705	1,634,105
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	24	129,510	129,510
Treasury shares	25	(30,375)	(30,804)
Share premium	24	151,719	152,691
Cumulative changes in fair value	26a	139,662	195,732
Other reserves	26b	16,931	59,081
Accumulated losses		(30,524)	(42,965)
Equity attributable to owners of the parent		376,923	463,245
Non-controlling interests	26c	144,686	174,216
Total equity		521,609	637,461
Non-current liabilities			
Trust certificates issued	27	-	133,523
Long-term borrowings	28	394,993	165,688
Leasing creditors		300	446
Provisions	29	9,611	11,364
Total non-current liabilities		404,904	311,021
Current liabilities			
Accounts payable and other liabilities	30	56,076	43,387
Trust certificates issued – current portion	27	132,549	14,010
Short-term borrowings	31	360,911	594,948
Due to banks	32	23,656	33,278
Total current liabilities		573,192	685,623
Total liabilities		978,096	996,644
Total equity and liabilities		1,499,705	1,634,105



Sa'ad Mohammed Al-Sa'ad
Chairman & Managing Director

The notes set out on pages 10 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the parent							Non-controlling interests KD '000	Total KD '000
	Share Capital KD '000	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other Reserves (Note 26) KD '000	Accumulated losses KD '000	Sub-Total KD '000		
Balance at 1 January 2011	129,510	(30,804)	152,691	195,732	59,081	(42,965)	463,245	174,216	637,461
Transactions with owners									
Purchase of treasury shares	-	(728)	-	-	-	-	(728)	-	(728)
Disposal of treasury shares	-	1,157	-	-	-	-	1,157	-	1,157
Loss on disposal of treasury shares	-	-	-	-	(620)	-	(620)	-	(620)
Offset of accumulated losses (refer note 24)	-	-	(972)	-	(41,993)	42,965	-	-	-
Payments to non-controlling interests of a subsidiary due to capital reduction (refer note 26 c)	-	-	-	-	-	-	-	(18,190)	(18,190)
Other net changes in non-controlling interests	-	-	-	-	-	-	-	(23)	(23)
Dividend paid to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	(1,403)	(1,403)
Total transactions with owners	-	429	(972)	-	(42,613)	42,965	(191)	(19,616)	(19,807)
Comprehensive income									
Loss for the year	-	-	-	-	-	(28,757)	(28,757)	(5,275)	(34,032)
Other comprehensive income for the year (refer note 26)	-	-	-	(56,070)	(1,304)	-	(57,374)	(4,639)	(62,013)
Total comprehensive income for the year	-	-	-	(56,070)	(1,304)	(28,757)	(86,131)	(9,914)	(96,045)
Reserve transfers of subsidiaries	-	-	-	-	1,767	(1,767)	-	-	-
Balance at 31 December 2011	129,510	(30,375)	151,719	139,662	16,931	(30,524)	376,923	144,686	521,609

The notes set out on pages 10 to 61 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent							Non-controlling interests KD '000	Total KD '000
	Share Capital KD '000	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other Reserves (Note 26) KD '000	Accumulated losses KD '000	Sub-Total KD '000		
Balance at 1 January 2010	129,510	(28,064)	152,691	109,872	59,678	(23,187)	400,500	143,828	544,328
Transactions with owners									
Purchase of treasury shares	-	(4,571)	-	-	-	-	(4,571)	-	(4,571)
Disposal of treasury shares	-	1,831	-	-	-	-	1,831	-	1,831
Gain on disposal of treasury shares	-	-	-	-	75	-	75	-	75
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	(391)	(391)
Acquisition of subsidiary (refer note 7c)	-	-	-	-	-	-	-	32,538	32,538
Other net changes in non-controlling interests	-	-	-	-	-	-	-	(3,627)	(3,627)
Total transactions with owners	-	(2,740)	-	-	75	-	(2,665)	28,520	25,855
Comprehensive income									
Loss for the year	-	-	-	-	-	(19,200)	(19,200)	(7,008)	(26,208)
Other comprehensive income for the year (refer note 26)	-	-	-	85,860	(1,250)	-	84,610	8,876	93,486
Total comprehensive income for the year	-	-	-	85,860	(1,250)	(19,200)	65,410	1,868	67,278
Reserve transfers of subsidiaries	-	-	-	-	578	(578)	-	-	-
Balance at 31 December 2010	129,510	(30,804)	152,691	195,732	59,081	(42,965)	463,245	174,216	637,461

The notes set out on pages 10 to 61 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
OPERATING ACTIVITIES		
Loss before taxation and other statutory contributions	(32,328)	(25,797)
Adjustments:		
Depreciation of property, plant and equipment	5,983	6,547
Changes in fair value of investment properties	(460)	3,015
Gain on disposal of property, plant and equipment	(601)	(246)
Profit on disposal of subsidiary	-	(646)
Realised loss on disposal of investment properties	353	-
Impairment in value of investment in associates	-	397
Share of results of associates	(14,464)	(29,680)
Dividend income from available for sale investments	(13,883)	(14,078)
Profit on sale of available for sale investments	(25,911)	(12,977)
Impairment in value of goodwill	-	1,326
Impairment in value of receivable and other assets	-	6,603
Effect of discounting on accounts receivable	867	-
Impairment in value of available for sale investments and wakala investments	40,061	42,830
Net provisions (released)/charged	(865)	2,309
Finance costs	40,866	37,359
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(2,449)	(3,115)
Negative goodwill on acquisition of subsidiary	-	(302)
	(2,831)	13,545
Changes in operating assets and liabilities:		
Inventories	(3,549)	2,518
Accounts receivable and other assets	(1,232)	1,061
Investments at fair value through profit or loss	31,004	17,238
Accounts payable and other liabilities	3,528	782
	26,920	35,144
Cash from operations	(2,949)	-
KFAS and Zakat contribution paid	(418)	-
NLST paid	(125)	(146)
Taxation paid		
Net cash from operating activities	23,428	34,998

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,143)	(16,717)
Proceeds from disposal of property, plant and equipment		1,430	2,573
Proceeds from disposal of investment properties		9,914	-
Additions to investment properties		(3,698)	(5,915)
Investment in an associates		(4,353)	(5,611)
Dividend received from associate companies		2,845	2,393
Bank balances and cash received on a acquisition of subsidiary		-	3,714
Decrease/(increase) in wakala investments maturing after three months		7,350	(4,343)
Decrease/(increase) in short term deposits maturing after three months		150	(150)
(Increase)/decrease in blocked deposits		(105)	1,150
Purchase of available for sale investments		(41,740)	(42,421)
Proceeds from sale of available for sale investments		50,824	45,729
Dividend income received from available for sale investments		13,883	14,078
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments		2,545	3,368
Net cash from/(used in) investing activities		33,902	(2,152)
FINANCING ACTIVITIES			
Net increase in long-term borrowings and trust certificates		236,315	37,090
Finance lease payments		(247)	(250)
Net decrease in short-term borrowings		(256,031)	(41,910)
Dividend paid to the owners of the parent		(468)	(1,402)
Finance costs paid		(42,308)	(36,990)
Purchase of treasury shares		(728)	(4,571)
Proceeds from sale of treasury shares		537	1,906
Decrease in non-controlling interests		(12,034)	(1,447)
Net cash used in financing activities		(74,964)	(47,574)
Net decrease in cash and cash equivalents		(17,634)	(14,728)
Translation difference		(1)	24
		(17,635)	(14,704)
Cash and cash equivalents at beginning of the year		109,629	124,333
Cash and cash equivalents at end of the year	32	91,994	109,629

The notes set out on pages 10 to 61 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

31 December 2011

1 Incorporation and activities

National Industries Group Holding – SAK (“the parent company”) was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a “Holding Company”. The parent company along with its subsidiaries are jointly referred to as “the group”. The parent company’s shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the group by investing them in investment and real estate portfolios managed by specialised companies.

The address of the parent company’s registered office is PO Box 417, Safat 13005, State of Kuwait.

The board of directors of the parent company approved these consolidated financial statements for issuance on 29 March 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 revaluation of freehold and leasehold properties, 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) and all values are rounded to the nearest thousand (KD ‘000), except when otherwise indicated.

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

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

4 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in 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 would be 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	1 January 2013
- Revised as IAS 27 Separate Financial Statements	
IAS 28 Investments in Associates	1 January 2013
- Revised as IAS 28 Investments in Associates and Joint Ventures	
IFRS 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:

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

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

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

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

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

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

4 Changes in accounting policies (continued)

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.

4.3 Consolidation Standards

A package of consolidation standards are effective for annual periods beginning 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.

4.3.1 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.

4.3.2 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.

4.3.3 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.

4.3.4 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 (continued)

5.2 Business combinations (continued)

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.

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

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

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. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

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

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

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

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

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

5.2. Business combinations

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

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

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

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

Upon loss of significant influence over the associate, the Group measures and recognises any 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, building materials and specialist engineering 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 the sale of goods, rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates and trade discounts.

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. Sale of goods

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

When goods are sold together with customer loyalty incentives, the consideration receivable is allocated between the sale of goods and sale of incentives based on their fair values. Revenue from sale of incentives is recognised when they are redeemed by customers in exchange for products supplied by the Group.

5.6.2. Rendering of services

The Group generates revenues from after-sales service and maintenance, consulting and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

5 Summary of significant accounting policies (continued)

5.6.2. Rendering of services (continued)

The Group also 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.

- *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.

5.6.3. Interest and similar income

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

Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

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.

5.6.5. 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.

5.7. 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, plant and equipment and depreciation

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

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 15 years
Motor vehicles	2 to 10 years
Furniture and equipment	4 to 10 years

5 Summary of significant accounting policies (continued)

5.9. Property, plant and equipment and depreciation (continued)

Any increase arising on revaluation is credited directly to other comprehensive income as “revaluation reserve” except to the extent where the increase reverses a revaluation decrease related to the same asset for which a decrease in valuation has previously been recognised as an expense, it is credited to the consolidated statement of income. Any decrease in the net carrying amount arising on revaluation is charged directly to the consolidated statement of income, or charged to the revaluation reserve to the extent that the decrease is related to an increase for the same asset which was previously recorded as a credit to the revaluation surplus.

Depreciation on the re-valued properties is charged to the consolidated statement of income over their remaining estimated useful lives and an amount equivalent to the excess depreciation charge relating to the increase in carrying amount is transferred each year from the revaluation reserve to retained earnings.

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

5.10. Leased assets

5.10.1. Finance lease

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

See note 5.9 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

5.10.2. Operating lease

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term except where the lease terms are onerous in which case the provision is made for the net present value of the probable liability. Associated costs, such as maintenance and insurance, are expensed as incurred.

5.11. Investment property

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.

5 Summary of significant accounting policies (continued)

5.11. Investment property (continued)

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.

5.12. 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 effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

5.13. 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.

5 Summary of significant accounting policies (continued)

5.13.1. Recognition, initial measurement and derecognition (continued)

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 other than those designated and effective as hedging instruments 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 material income and expenses relating to financial assets that are recognised in profit or loss are presented under a separate headings in the consolidated statement of income.

• Loans and receivables

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

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

The Group categorises loans and receivables into following categories:

5 Summary of significant accounting policies (continued)

5.13.2. Classification and subsequent measurement of financial assets (continued)

- *Murabaha investments / receivables*

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. When the credit risk of the transaction is attributable to a financial institution, the amount due under Murabaha contracts is classified as a Murabaha investment. Whereas, when the credit risk of transaction is attributable to counterparties other than banks and financial institutions, the amount due is classified as Murabaha receivable.

Murabaha receivables which arise from the Group's financing of long-term transactions on an Islamic basis are classified as Murabaha receivables originated by the Group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a Murabaha are treated as part of the cost of the transaction.

All Murabaha receivables are recognized when the legal right to control the use of the underlying asset is transferred to the customer.

- *Wakala investments*

Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount in case of default, negligence or violation of any terms and conditions of the Wakala.

- *Loans and advances*

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

- *Bank balances cash and Short term deposits*

Cash on hand and demand deposits are classified under bank balances and cash and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

- *Receivables and other financial assets*

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

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

- *Financial assets at FVTPL*

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. Investments at FVTPL are 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.

5 Summary of significant accounting policies (continued)

5.13.2. Classification and subsequent measurement of financial assets (continued)

• *Financial assets at FVTPL (continued)*

All derivative financial instruments fall into the category of FVTPL, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

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. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

• *HTM investments*

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

The group currently has not designated any assets in to this category.

• *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 income statement.

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.

AFS financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

5.13.3. Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trust certificates issued, borrowings, leasing creditors, due to banks, trade payables and other liabilities and derivative financial instruments.

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

5 Summary of significant accounting policies (continued)

5.13.3. Classification and subsequent measurement of financial liabilities (continued)

- *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:

- *Trust certificates issued*

Trust certificates issued (Mudarabaha and Musharaka sukuk) are stated on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the certificates to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of income over the life of the certificates using the effective interest rate method.

- *Borrowings*

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

- *Wakala payables*

Wakala payables represent short-term borrowings under Islamic principles, whereby the group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

- *Murabaha finance payables*

Murabaha finance payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha finance payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Leasing and hire purchase payables*

Assets acquired under finance leases and hire purchase arrangements are capitalised and the related liabilities, excluding finance charges. Finance charges in respect of such liabilities are charged to the consolidated statement of income as incurred.

- *Accounts payables and other financial liabilities*

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

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or other income.

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

Financial liabilities at FVTPL are either held for trading or designated as such on initial recognition.

Financial liabilities held for trading or designated at FVTPL, are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

5 Summary of significant accounting policies (continued)

5.13.3. Classification and subsequent measurement of financial liabilities (continued)

• *Derivative financial instruments*

The group uses derivative financial instruments, such as interest rate swaps to mitigate its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions, based on prevailing market information. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of income.

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 37.2.

5.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5 Summary of significant accounting policies (continued)

5.15. 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:

- revaluation reserve – comprises gains and losses from the revaluation of land and buildings
- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Fair value reserve – comprises gains and losses relating to available for sale financial assets

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

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

5.16. Treasury shares

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

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

5.17. 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 Summary of significant accounting policies (continued)

5.18. Foreign currency translation

5.18.1. 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.

5.18.2. 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.

5.18.3. 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.

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.

5.19. 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.

5.20. Pensions (Related to the foreign subsidiaries)

Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisers.

5.20.1 Defined contribution schemes

Contributions to defined contribution schemes are charged to the consolidated statement of income on an accrual basis.

5 Summary of significant accounting policies (continued)

5.20. Pensions (Related to the foreign subsidiaries) (continued)

5.20.2 Defined benefit schemes

In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of income and is calculated as the aggregate of current service cost (using the projected unit credit method), an interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised actuarial gains and losses, recognised past service costs and the effect of curtailments or settlements.

Actuarial gains or losses are recognised as income or expense if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded the greater of:

- 10% of the present value of the defined benefit obligations; and
- 10% of the fair value of plan assets.

The portion of actuarial gains and losses to be recognised is the excess determined above, divided by the expected average remaining service lives of participating employees.

5.21. Share-based Payment

Certain employees of the group receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

5.22. Taxation

5.22.1. 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.

5.22.2. 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.

5.22.3. 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 2010 and 2011, the Parent Company has no liability towards NLST, KFAS and Zakat due to losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5 Summary of significant accounting policies (continued)

5.22 Taxation (continued)

5.22.4. Taxation on overseas subsidiaries

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

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

5.23. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

5.24. Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly 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:

6.1.1. 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 profit or loss.

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 Significant management judgements and estimation uncertainty (continued)

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 recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

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 19).

6.2.4. Impairment of loans and receivables

The group's management reviews periodically items classified as loans and receivables (including wakala investments note 22) 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 has not recognised impairment losses on loans and receivables (2010 KD6,603 thousand).

6 Significant management judgements and estimation uncertainty (continued)

6.2.5. *Impairment of inventories*

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

At the financial position date, gross inventories were KD25,672 thousand (2010: KD21,510 thousand), with provision for old and obsolete inventories of KD2,070 thousand (2010: KD1,457 thousand). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of income.

6.2.6. *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and other obsolescences that may change the utility of certain software and property, plant and equipment.

6.2.7. *Fair value of financial instruments*

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

6.2.8. *Revaluation of investment properties*

The group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of income. The group engaged independent valuation specialists to determine fair 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.

6.2.9. *Defined benefits obligation*

Management's estimate of the defined benefit obligation is based on number of critical underlying assumption such as standard rate of inflation, mortality, discount rate and anticipation of future pension increases. Variation in these assumptions may significantly impact the defined benefit obligations and amount and the annual defined benefits expenses (as analysed in note 34).

7 Subsidiary companies

The significant consolidated subsidiaries as at 31 December 2011 and 2010 are as follows:

	Country of registration	Percentage ownership	
		31 Dec. 2011 %	31 Dec. 2010 %
Al Durra National Real Estate – KSC (Closed)	Kuwait	100	100
Proclad Group Limited	UAE	100	100
National Combined Industries Holding Company for Energy – KSC (Closed)	Kuwait	100	100
Pearl National Holding – KSC (Closed) [Formerly: National Land Transport Company– SAK (Closed)]	Kuwait	100	100
NIG (Guernsey) Limited	Guernsey	100	100
NIC Holdings (UK) Plc	United Kingdom	100	100
BI Group Plc	United Kingdom	100	100
Economic Holding Company – KCS (Closed)	Kuwait	100	100
NIC Holdings (Guernsey) Limited	Guernsey	100	100
NI Group (Bahrain) EC	Bahrain	100	100
Eagle Proprietary Investments Limited	UAE	100	100
Pearl Offshore Enterprises Limited	BVI	100	-
Denham Investment LTD	Cayman Islands	85	85
Ikarus Petroleum Industries Company – SAK (Closed)	Kuwait	72	72
National Industries Company KSC(Closed)	Kuwait	51	51
Noor Financial Investment Company – KSC (Closed)	Kuwait	51	51
Noor Telecommunication Company – KSC (Closed)	Kuwait	51	51

- a. Certain non-controlling interests in the above subsidiary companies are held on behalf of the parent company by third party nominees.
- b. Pearl Offshore Enterprises Limited, is a special purpose vehicle (SPV) which was incorporated during the year and certain assets and liabilities of the parent company were transferred to the SPV during the year. However the transfers have no impact on the group.

c. Acquisition of subsidiary - 2010

In December 2010 the group acquired control over Noor Telecommunication Company - KSC (formally a 40% owned associate) through a step up acquisition of an additional 11% equity interest in the investee. This is accounted in accordance with the revised IFRS 3 as follows:

	KD '000
Consideration settled	7,150
Value of non-controlling interests	32,538
Fair value of the previously held equity interest on acquisition date	26,220
	65,908
Less : Recognised amounts of identifiable assets acquired and liabilities assumed	
Bank balances and cash	3,714
Murabaha and wakala investments	27,435
Investment at fair value through profit or loss	8,024
Account receivables and other assets	1,705
Available for sale investments	24,829
Investment in an associate	2,844
Account payable and other liabilities	(2,341)
	66,210
Total identifiable net assets	
Negative goodwill (included in other income)	302

The additional stake of 11% was acquired from an associate, and the consideration of KD7,150 thousand due was deducted from the amount due from the associate.

8 Income from investments

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Dividend income:		
- From investments at fair value through profit or loss	2,282	1,044
- From available for sale investments	13,883	14,078
Profit on sale of available for sale investments	25,911	12,977
Realised (loss)/gain on investments at fair value through profit or loss	(2,622)	4,515
Unrealised loss on investments at fair value through profit or loss	(14,616)	(224)
	24,838	32,390

9 Interest and other income

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Management and placement fees	1,794	3,062
Realised gain on dealing in foreign currencies	-	1,272
Interest/profit on bank balances, short term deposits, murabaha and wakaia investments	2,449	3,115
Net loss from dealing in interest rate swaps (a)	(37)	(3,834)
Income from financing of future trade by customers	479	238
Net loss from transportation business (b)	(238)	(1,099)
Negative goodwill on acquisition of subsidiary (7c)	-	302
Rental income	984	491
Others	2,085	879
	7,516	4,426

a) Net loss on interest rate swaps represents realised gain of KD303 thousand (2010: realised loss of KD4,889 thousand) and unrealised loss of KD340 thousand (2010: unrealised gain of KD1,055 thousand) (refer note 39).

b) Net loss from transportation business (relating to a foreign subsidiary) is as follows:

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Revenue from services	542	1,146
Less: Direct operating cost	(780)	(2,245)
	(238)	(1,099)

10 Net (loss) or gain on financial assets

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

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Loans and receivables		
- bank balances and short term deposits	2,412	2,902
- realised gain on dealing in foreign currencies	-	1,272
- murabaha and wakala investments	37	213
- account receivable and other assets	479	238
- impairment in value of receivable and other assets	-	(6,603)
Effect of discounting on accounts receivable	(867)	-
At fair value through profit or loss		
- held for trading	(7,570)	1,400
- designated as such on initial recognition	(7,386)	3,935
- net loss from dealing in interest rate swaps	(37)	(3,834)
Available for sale investments		
- recognised in other comprehensive income (including non-controlling interests share)	(47,330)	93,084
- recycled from other comprehensive income to consolidated statement of income		
• On impairment	(40,061)	(42,830)
• On disposal	13,856	5,757
- recognised directly in consolidated statement of income	25,939	21,298
	(60,528)	76,832
Net loss recognised in the consolidated statement of income	(13,198)	(16,252)
Net (loss)/gain recognised in the other comprehensive income	(47,330)	93,084
	(60,528)	76,832

11 Finance costs

Finance costs relate mainly to due to banks, short and long term borrowings, trust certificates issued and lease creditors. All these financial liabilities are stated at amortised cost.

12 Taxation and other statutory contributions

(a) Taxation of foreign subsidiaries*

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Current tax expense		
Current year (charge)/reversal	(418)	260
Deferred tax expense		
Current year charge	(10)	-
	(428)	260

12 Taxation and other statutory contributions (continued)

(b) KFAS, NLST and Zakat of local subsidiaries **

Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(122)	(115)
Provision for National Labour Support Tax (NLST)	(334)	(192)
Provision for Zakat	(133)	(364)
	(589)	(671)
(c) Under provision of NLST and Zakat for the previous years – parent company	(687)	-
	(687)	-
	(1,704)	(411)

*The above tax is calculated based on the tax law adopted in United Kingdom.

**The contributions and provisions are on profit of local subsidiaries, whereas no contribution and provision for the parent company was recognised in the current year as the net results attributable to the parent company was a loss.

13 Loss for the year

Loss for the year is stated after charging/(crediting):

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Staff costs	21,383	26,018
Depreciation	5,983	6,547
Profit on disposal of property, plant and equipment	(601)	(246)

14 Basic and diluted loss per share attributable to the owners of the parent

Loss per share is calculated by dividing the loss for the year attributable to the owners of the parent by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Loss for the year attributable to the owners of the parent (KD '000)	(28,757)	(19,200)
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	1,262,104,524	1,267,448,058
Basic and diluted loss per share	(23) Fils	(15) Fils

15 Goodwill

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Balance at 1 January	6,718	8,333
Additions and other adjustments	-	153
Impairment in value	-	(1,326)
Foreign exchange adjustment	(73)	(442)
	<u>6,645</u>	<u>6,718</u>

16 Property, plant and equipment

Year ended 31 December 2011

	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total KD '000
Cost or valuation									
At 1 January 2011	3,367	12,201	29,605	71,087	10,161	12,685	1,988	16,095	157,189
Foreign exchange adjustments	(6)	(7)	(6)	(292)	-	-	(21)	-	(332)
Additions	554	51	-	2,194	1,130	221	46	947	5,143
Write off	-	-	-	(7)	(386)	-	-	-	(393)
Disposals	(894)	-	-	(1,168)	(18)	-	-	-	(2,080)
At 31 December 2011	3,021	12,245	29,599	71,814	10,887	12,906	2,013	17,042	159,527
Accumulated depreciation and impairment losses									
At 1 January 2011	625	847	23,417	47,150	8,356	8,417	1,176	-	89,988
Foreign exchange adjustments	33	(31)	-	(107)	4	-	(15)	-	(116)
Charge for the year	66	544	304	3,518	830	579	142	-	5,983
Write off	-	-	-	(7)	(386)	-	-	-	(393)
Relating to disposals	(108)	-	-	(1,130)	(13)	-	-	-	(1,251)
At 31 December 2011	616	1,360	23,721	49,424	8,791	8,996	1,303	-	94,211
Net book value									
At 31 December 2011	2,405	10,885	5,878	22,390	2,096	3,910	710	17,042	65,316

Properties on lease hold land are on lands which have been leased from the government of Kuwait through renewable lease contracts.

Property under construction represents the cost incurred on the expansion of one of the subsidiaries existing factories and the construction of a new factory for the same subsidiary. These amounts will be transferred to the appropriate asset categories when the assets are ready for their intended use.

16 Property, plant and equipment (continued)

Year ended 31 December 2010

	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total KD '000
Cost or valuation									
At 1 January 2010	4,301	732	34,419	66,671	9,361	12,727	2,055	12,980	143,246
Foreign exchange adjustments	(468)	(41)	-	(1,689)	-	-	(124)	-	(2,322)
Additions	56	11,510	141	12,122	951	159	57	3,115	28,111
Disposals and write off	(522)	-	(19)	(3,543)	(117)	(79)	-	-	(4,280)
Adjustment related to disposal of subsidiary	-	-	(4,936)	(2,474)	(34)	(122)	-	-	(7,566)
At 31 December 2010	3,367	12,201	29,605	71,087	10,161	12,685	1,988	16,095	157,189
Accumulated depreciation and impairment losses									
At 1 January 2010	730	731	27,793	48,457	7,801	7,161	1,152	-	93,825
Foreign exchange adjustments	(105)	(43)	-	(1,200)	-	-	(69)	-	(1,417)
Charge for the year	475	159	319	3,394	699	1,408	93	-	6,547
Relating to disposals and write off	(475)	-	(19)	(1,266)	(115)	(78)	-	-	(1,953)
Adjustment related to disposal of subsidiary	-	-	(4,676)	(2,235)	(29)	(74)	-	-	(7,014)
At 31 December 2010	625	847	23,417	47,150	8,356	8,417	1,176	-	89,988
Net book value									
At 31 December 2010	2,742	11,354	6,188	23,937	1,805	4,268	812	16,095	67,201

17 Investment in associates

The significant associates of the group as at 31 December 2011 and 2010 are as follows:

	Percentage ownership	
	31 Dec. 2011	31 Dec. 2010
Meezan Bank Ltd – (Quoted)	49	49
Kuwait Rocks Company – SAK (Closed)	38	38
Privatization Holding Company – KSC (Closed) (Quoted)	34	31
Kuwait Cement Company – SAK (Closed) - (Quoted)	25	25
Al Raya International Real Estate – KSC (Closed)	23	23
Mabanee Company SAK (Closed) - (Quoted)	20	20
Marsa Alam Holding Company – KSC (Closed)	20	20
Eastern United Petroleum Services Company – KSC (Closed)	20	20
Contracting and Marine Services Co. – SAK (Closed) (Quoted)	18	-
	31 Dec. 2011	31 Dec. 2010
	KD '000	KD '000

Movement during the year is as follows:

Balance at 1 January	272,494	263,487
Additions during the year	14,114	5,611
Share of results	14,464	29,680
Change in other comprehensive income	(14,258)	1,229
Dividend received	(2,845)	(2,393)
Transferred to investment in subsidiary	(523)	(26,220)
Other adjustments	(320)	1,100
Balance at the end of the year	283,126	272,494

- a) During the 4th quarter of the year, the group acquired additional 4% of the issued share capital of Contracting and Marine Services Co. – SAK (Closed) for a consideration of KD3,493 thousand from a related party (refer note 36), which resulted in an increase in the existing stake of 14% (at 30 September 2011) in the investee to 18%. Consequent to the acquisition, the investment was classified as an associate, as significant influence was demonstrated by representation of three directors of the group on the board of directors of investee company. Accordingly during the 4th quarter, the group has reclassified its existing investment with a carrying value of KD6,268 thousand from “investment at fair value through profit or loss” to “investment in associates”. A goodwill amounting to KD2,445 thousand has arisen as a result of the above acquisition and this has been included in the carrying value of the investment which totalled to KD9,761 thousand as at 31 December 2011.
- b) All of the above associates are incorporated in Kuwait with the exception of Meezan Bank Ltd, which is registered in Pakistan.

Aggregate share of associates' assets and liabilities:

	31 Dec. 2011	31 Dec. 2010
	KD '000	KD '000
Assets	692,033	592,642
Liabilities	453,931	361,711

17 Investment in associates (continued)

Aggregated share of associates' revenue and profit:

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Revenue	47,980	67,978
Profit (recognised in the consolidated statement of income)	14,464	29,680

- c) Investment in quoted associates with a carrying value of KD228,665 thousand (2010: KD222,451 thousand) have a market value of KD215,144 thousand (2010: KD216,929 thousand).
- d) The group's share of associates' contingent liabilities amounted to KD39,116 thousand (2010: KD29,429 thousand). This includes the group's share of contingent liabilities related to a foreign bank (Meezan Bank Ltd.) which amounted to KD29,600 thousand (2010: KD29,310 thousand).

18 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Balance at 1 January	36,642	33,742
Additions during the year	3,698	5,915
Disposal during the year	(26,888)	-
Change in fair value	460	(3,015)
Balance at 31 December	13,912	36,642

Investment properties comprise of land and buildings as follows:

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Kuwait	13,573	9,373
Saudi Arabia	-	26,888
Jordan	339	381
Total	13,912	36,642

- a) During the year, the Group disposed its investment properties located in Saudi Arabia for a consideration of KD26,535 thousand resulting in a loss of KD353 thousand. Total cash received on this sale amounted to KD9,914 thousand and the balance of KD16,621 thousand is shown as receivable (Note 21 c).
- b) Investment properties are stated at fair value, which has been determined based on valuations performed by independent valuers.

19 Available for sale investments

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Non Current		
Managed funds	191,043	193,967
Unquoted equity participations	188,917	197,473
Quoted shares	359,365	398,913
	739,325	790,353
Current		
Quoted shares (a)	86,713	104,514
	826,038	894,867

- a) The quoted shares classified as current at 31 December represents the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008 (refer note 23).
- b) Managed funds include investments in private equity funds with a carrying value of KD75,914 thousand (2010: KD73,765 thousand). 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.
- c) At the end of the year, the group recognised an impairment loss of KD21,640 thousand (2010 : KD16,129 thousand) for certain local and foreign quoted shares, as the market value of these shares at reporting dates declined significantly below their costs. Further the group also recognised an impairment loss of KD18,421 thousand (2010: KD26,701 thousand) against certain unquoted shares, local and foreign funds based on estimates made by management as per information available to them and the net assets values reported by the investment managers at the reporting date.
- d) Unquoted investments and managed funds of KD88,835 thousand (2010: KD90,417 thousand) are carried at cost less impairment in value if any, since their fair value cannot be reliably determined. The group's management is not aware of any circumstance that would indicate impairment/further impairment in value of these investments.
- e) Quoted shares with a fair value of KD37,006 thousand (31 December 2010: KD34,996 thousand) are secured against short term borrowings (refer note 31) and long term borrowings (refer note 28).

20 Inventories

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Finished goods and work-in-progress	6,960	10,400
Raw materials and consumables	15,553	7,714
Spare parts and others	2,455	2,664
Goods in transit	704	732
	25,672	21,510
Provision for obsolete and slow moving inventories	(2,070)	(1,457)
	23,602	20,053

21 Accounts receivable and other assets

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Financial assets	20,662	16,439
Trade receivables	15,754	-
Amount due on disposal of investments properties (refer note 18a and 21c)	2,309	1,682
Amounts due on sale of investments	4,421	5,612
Due from associates	980	2,945
Due from other related parties	231	313
Due from key management personnel	5,873	7,052
Advance payments to acquire investments	4,556	3,844
Due from Kuwait Clearing Company	7,770	8,276
Due from investment brokerage companies	2,669	4,116
Interest and other accrued income	7,702	6,431
Other financial assets	72,927	56,710
	(7,848)	-
Less: amount due after one year	65,079	56,710
Non-financial assets	3,145	2,472
Other assets	3,145	2,472
	68,224	59,182

- a) Trade receivables are non-interest bearing and generally on 30 to 90 days terms.

As at 31 December the aging analysis of trade receivables is as follows:

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Neither past due nor impaired	14,725	13,850
Past due but not impaired	4,927	2,150
- less than 3 months	1,010	439
- 3 – 6 months		
Total trade receivables	20,662	16,439

Trade receivables that are less than six months past due, are not considered impaired since they relate customers for whom there is no recent history of default.

- b) During the year 2010, the group recognised an impairment loss of KD2,177 thousand for certain projects under progress. Further, the group also recognised an impairment loss of KD3,851 thousand and KD575 thousand against amounts due from associates and other receivables respectively.
- c) Due on disposal of investment properties have been discounted based on an effective interest rate of 5.5% to give effect to the differed payment term. A charge of KD867 thousand has been recognised in the consolidated statement of income. The balance includes an amount of KD7,848 thousand which is due after one year, and it has been classified as non-current at 31 December 2011.

22 Murabaha and wakala investments

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Murabaha and wakala investments	23,381	30,231
Provision for impairment in value	(14,968)	(14,968)
	8,413	15,263

No profit was recognised on impaired wakala investments during the current year. Wakala investment of KD14,968 thousand (2010: KD14,968 thousand) placed with a local Islamic investment company matured in last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. Full provision has been made for these receivables in accordance with the Central Bank of Kuwait credit provision rules.

In 2008 and 2009, one of the local subsidiary's of the group violated Articles 148 and 151 of the Commercial Companies Law of 1960 when it assumed the financial and legal obligations on wakala investments of KD9,968 thousand that the subsidiary had placed with an investment company in a fiduciary capacity under a wakala agreement on behalf of certain related parties, despite having no such obligation under the wakala agreement. The regulator has notified the subsidiary of the above violation of article 148 and 151 of the commercial companies law of 1960 and article of association of the said subsidiary. Accordingly the subsidiary has initiated legal proceedings against the parties to recover KD9,968 thousand including profits thereon.

The murabaha and wakala investments carry effective profit rates ranging from 0.625% to 2.315% (2010: 0.625% to 2.315%) per annum.

23 Investments at fair value through profit or loss

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Held for trading :		
Quoted shares	34,411	60,955
Designated on initial recognition :		
Local funds	21,905	33,666
International managed portfolios and funds	25,500	24,497
	47,405	58,163
	81,816	119,118

a). Effect of reclassification due to adoption of amendment to IAS 39.

During the 2008, as a result of significant developments in the global financial markets, the group adopted amendments to IAS 39 and IFRS 7 with effect from 1 July 2008 and reclassified investments with a fair value of KD380,755 thousand as at 1 July 2008 from "fair value through profit or loss" category to "available for sale" category. The fair value of remaining reclassified investments as of 31 December 2011 is KD86,713 thousand (2010: KD104,514 thousand).

b). During October 2008, a local money market funds, in which the group has investments totaling to KD1,810 thousand as at 31 December 2011 (2010: KD2,020 thousand), suspended redemption requests. Management has been informed by the managers of the funds that redemptions will be made depending on availability of liquid funds. The group's management considers this to be a situation arising from the current crisis in the global financial market and its impact on the local market. The investment has been fair valued based on the unaudited net asset value reported by the fund manager as of 31 December 2011. The group's management expects to realise these investments at not less than its carrying value.

23 Investments at fair value through profit or loss (continued)

- c). Quoted shares, held by local subsidiary, with a fair value of KD14,174 thousand (2010: KD17,458 thousand) are secured against short term borrowings (refer note 31) and long term borrowings (refer note 28).
- d). During the year, the group reclassified an investment with a carrying value of KD6,268 thousand to investment in associates (refer note 17a)

24 Share capital and share premium

- a) As of 31 December 2011, authorized issued and fully paid up share capital of the parent company is comprised of 1,295,098,167 shares of 100 Fils each. (31 December 2010: authorised share capital of 1,589,438,660 shares and issued and fully paid up share capital of 1,295,098,167 shares).
- b) At the extraordinary general assembly held on 21 May 2009, the shareholders of the parent company approved to increase the paid up share capital by 25% by way of issuing shares at par value of 100 Fils per share and premium of 350 Fils per share. However, the shareholders of the parent company at the Annual General Assembly held on 12 May 2011, cancelled the proposed increase in share capital and approved to reduce the authorised share capital to 1,295,098,167 shares instead of 1,589,438,660 shares of 100 Fils each.
- c) Further the shareholders of the parent company approved at the shareholders Annual General Assembly held on 12 May 2011, to offset the accumulated losses as at 31 December 2010, amounting to KD 42,965 thousand against general reserve, statutory reserve and then share premium (see note 26 b).
- d) Share premium is not available for distribution.

25 Treasury shares

	31 Dec. 2011	31 Dec. 2010
Number of shares	33,139,123	32,239,123
Percentage of issued shares	2.56%	2.49%
Market value (KD '000)	8,450	11,122
Cost (KD'000)	30,375	30,804

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

As at 31 December 2011, one of the associate companies of the group held 115,582,837 (2010: 115,582,837 shares) shares of the parent company's shares equivalent to 8.9% (2010: 8.9%) of the parent company's shares issued.

26 Cumulative changes in fair value, other reserves and Non-controlling interests**a) Cumulative change in fair value**

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Balance at 1 January	195,732	109,872
<i>Other comprehensive income:</i>		
Net change in fair value of available for sale investments	(64,665)	49,212
Transferred to consolidated statement of income on disposal of available for sale of investments	(11,629)	(4,378)
Transferred to consolidated statement of income on impairment in value of available for sale investments	32,879	37,761
Share of fair value adjustment in associates	(12,655)	3,265
Other comprehensive income for the year	(56,070)	85,860
Balance at 31 December	139,662	195,732

b) Other reserves

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 31 December 2009	41,415	-	18,997	(734)	59,678
Gain on disposal of treasury shares	-	-	75	-	75
Reserve transfers of subsidiaries	289	289	-	-	578
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	(1,250)	(1,250)
Balances at 31 December 2010	41,704	289	19,072	(1,984)	59,081
Loss on disposal of treasury shares	-	-	(620)	-	(620)
Offset of accumulated losses (refer note 24 c)	(41,704)	(289)	-	-	(41,993)
Reserve transfers of subsidiaries	911	856	-	-	1,767
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	(1,304)	(1,304)
Balances at 31 December 2011	911	856	18,452	(3,288)	16,931

Statutory reserve

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors remuneration but after Non-controlling interest is to be transferred to statutory reserve. The parent company may resolve to discontinue such annual transfer when the reserve totals 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 distribution of a dividend of that amount. No transfer is required in a year in which the group has incurred a loss or where accumulated losses exist.

26 Cumulative changes in fair value, other reserves and Non-controlling interests (continued)

c) Non-controlling interests

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Balance at 1 January	174,216	143,828
Acquisition of subsidiary	-	32,538
Payments to non-controlling interests of subsidiary due to capital reduction *	(18,190)	-
Dividend paid to non-controlling interests by the subsidiaries	(1,403)	(391)
Other net changes in non-controlling interests	(23)	(3,627)
Transactions with non-controlling interests	(19,616)	28,520
Loss for the year	(5,275)	(7,008)
<i>Other comprehensive income :</i>		
Exchange differences arising on translation of foreign operations	(791)	(545)
Net change in fair value of available for sale investments	(8,870)	6,799
Transferred to consolidated statement of income on disposal of available for sale investments	(2,227)	(1,379)
Transferred to consolidated statement of income on impairment in value of available for sale investments	7,182	5,069
Share of other comprehensive income of associates	67	(1,068)
Total other comprehensive income for the year	(4,639)	8,876
Total comprehensive income for the year	(9,914)	1,868
Balance at 31 December	144,686	174,216

* During the year, shareholders of one of the local subsidiary's of the Group decided to decrease its capital and to pay an amount of KD18,190 thousand to the non – controlling interest of the group. Consequently, an amount of KD10,608 thousand have been paid at the reporting date and balance amount of KD7,582 thousand have been shown under accounts payable and other liabilities (refer note 30).

27 Trust certificates issued

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Trust certificates		
- Mudaraba sukuk	132,549	133,523
- Musharaka sukuk	-	14,010
	132,549	147,533
Less : Due within one year	(132,549)	(14,010)
	-	133,523

a. Trust certificates – Mudaraba sukuk:

During August 2007 the parent company entered into an Islamic financing arrangement whereby the parent company issued through a special purpose vehicle Trust certificates (Mudaraba Sukuk) of US Dollars 475,000 thousand at an issue price of 100% of their principal amount which are due at the end of 5 years from the date of issue (i.e. due in August 2012). The certificate holders are entitled to a quarterly profit distribution at the rate of 3 months LIBOR plus 1.05% per annum. During the year, the group has reclassified the above Sukuk equivalent to KD132,549 thousand from long term to short term as these are maturing within one year.

b. Trust certificates - Musharaka sukuk:

The musharaka sukuk of the subsidiary, National Industries Company KSC (Closed) was fully settled during the year.

28 Long-term borrowings

Currency	Effective Interest rate	Security	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Kuwaiti Dinars	3.5% - 5%	Secured /unsecured	337,465	140,535
US Dollars	1.75% - 3.25%	Unsecured	110,115	53,963
Euro	2% - 4.5%	Secured /unsecured	2,207	3,990
			449,787	198,488
Less : Due within one year			(54,794)	(32,800)
			394,993	165,688

- During the year, the parent company has rescheduled Kuwaiti Dinar denominated loans amounting to KD153,000 thousand and US Dollar denominated loans equivalent to KD43,851 thousand from short term loans to long term loans. These loans are for a period of 6 years and are due for repayment in instalments commencing from June 2013.
- During the year, a local subsidiary of the group has rescheduled Kuwaiti Dinar denominated loans amounting to KD73,495 thousand from short term loans to long term loans. These loans are for a period of 5 years and are due for repayment in instalments commencing from June 2012.
- Kuwait Dinar loans of KD31,501 thousand are secured by certain investments at fair value through profit or loss (refer note 23) and available for sale investments (refer note 19).
- The Euro loans are secured against property, plant and equipment with a book value of KD1,663 thousand (2010: KD1,712 thousand).

29 Provisions

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Provision for staff indemnity	8,122	6,257
Provision for land-fill expenses	681	655
Provision for rental property	2,696	5,452
	11,499	12,364
Less: Provision for rental property – amount due in less than one year	(1,888)	(1,000)
	9,611	11,364

The provision for rental property relates to onerous property rental costs (net of estimated rent receivable) and dilapidations obligations of foreign subsidiaries which are payable over various periods up to 2017. During the year, the group reversed an amount of KD2,068 thousand (2010: provided an amount of KD2,693 thousand) for onerous property rental costs and dilapidation obligations and has utilised an amount of KD716 thousand (2010: KD1,312 thousand), from the provision.

30 Accounts payable and other liabilities

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Financial liabilities		
Trade payables	15,419	11,598
Accrued interest	2,570	4,012
Dividend payable	1,518	1,986
Leasing creditors - amount due in less than one year	137	201
Provision for rental property – amount due in less than one year	1,888	1,000
National labour support tax	4,496	3,919
Kuwait Foundation for the Advancement of Sciences and Zakat	804	3,472
Other accruals	3,440	3,083
Due to associates and other related parties (refer note 36)	4,487	2,816
Unrealised loss on interest rate swaps (refer note 39)	123	-
Amounts payable to non controlling interest due to capital reduction of one of the local subsidiary (refer note 26c)	7,582	-
Other liabilities	11,572	8,341
	54,036	40,428
Non-financial liabilities		
Other creditors	872	821
Accruals	1,168	2,138
	2,040	2,959
	56,076	43,387

31 Short-term borrowings

Currency	Effective Interest rate	Security	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Conventional loans				
Kuwaiti Dinars (a)	3.5% - 6%	Unsecured/ secured	120,914	301,640
US Dollars	1% - 5%	Unsecured	76,192	153,127
Sterling	2% - 3.5%	Unsecured	12,601	11,979
Jordan Dinars (b)	3.9% - 5.9%	Secured	2,335	4,122
			212,042	470,868
Long term borrowings due within one year			54,794	32,800
			266,836	503,668
Islamic financing arrangements				
Murabaha/wakala payables	5.5% - 6.5%	Unsecured	94,075	91,280
			94,075	91,280
Total			360,911	594,948

- Kuwaiti Dinar loans amounting to KD7,041 thousand (2010: KD34,540 thousand) of the group, is secured by certain investments at fair value through profit or loss (refer note 23), and available for sale investments (refer note 19).
- The Jordan Dinar loan amounting to KD2,335 thousand (2010: KD4,122 thousand) of a foreign subsidiary is secured by property, plant and equipment of that subsidiary.

32 Cash and cash equivalents

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Murabaha and wakala investments – maturing within three months	1,000	500
Short term deposits	79,041	104,565
Bank balance and cash	35,724	38,002
Due to banks	(23,656)	(33,278)
	92,109	109,789
Less: Short term deposits maturing after 3 months	-	(150)
: Blocked balances	(115)	(10)
Cash and cash equivalents for the purpose of consolidated cash flow statement	91,994	109,629

Short term deposits yield an average interest rate of 1.5% per annum (2010: 1.5% per annum).

Bank balance and cash include call accounts which yield interest at an average rate of 1.5% per annum (2010: 1.5% per annum).

Due to banks are subject to interest rates ranging from 5% to 6% per annum (2010: 5% to 6% per annum).

33 Dividend distribution

The board of directors of the parent company do not propose any dividend for the year ended 31 December 2011 (2010: Nil).

The board of directors of the parent company did not propose any dividend for the year ended 31 December 2010 and this was approved by the shareholders of the parent company at the general assembly held on 12 May 2011.

34 Defined benefit pensions schemes

The group has defined benefit pension schemes for the employees of certain subsidiaries in the United Kingdom. The following disclosures cover all the schemes on an aggregated basis. The schemes are closed to new members and are not accruing further benefits. Actuarial calculations have been made in order to determine pension liabilities and pension expenses in connection with the group's defined benefit pension schemes. The following assumptions have been used in calculating the liabilities and expenses incurred:

	31 Dec. 2011	31 Dec. 2010
Discount rate	5.1%	5.8%
Expected return on plan assets	4.48%	5.42%
Future salary increases	N/A	N/A
Future pension increases	2.5%	3.20%
Mortality after retirement	SPAS (SINA) tables with medium cohort year of birth projections and minimum of 1% per annum improvement.	

Consolidated statement of income

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Interest cost	1,502	1,451
Expected return on assets	(1,111)	(1,068)
Actuarial loss	379	371
Net annual charge included in general and administrative expenses	770	754

34 Defined benefit pensions schemes (continued)

The actuarial loss of the schemes in excess of 10% of the present value of the defined benefit obligations are being charged as an expense over periods up to 13 years.

A reconciliation of the movement in the liability for defined benefit pension scheme is as follows:

Consolidated statement of financial position

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Brought forward liability	-	-
Consolidated statement of income (net)	770	754
Contributions	(588)	(439)
Increase in unrecognised asset	(179)	(308)
Foreign Exchange adjustments	(3)	(7)
Carried forward liability	-	-

Reconciliation of consolidated statement of financial position liability

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Present value of obligations	27,602	26,402
Fair value of plan assets	(22,284)	(20,599)
Net plan deficit	5,318	5,803
Unrecognised actuarial losses	(5,601)	(6,087)
Unrecognised asset	283	284
Net liability recognised in the consolidated statement of financial position	-	-

Changes in the present value of the defined benefit obligation

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Opening defined benefit obligation	26,402	26,642
Interest cost	1,502	1,451
Actuarial losses	1,153	1,137
Benefits paid	(1,148)	(1,304)
Foreign exchange adjustment	(307)	(1,524)
Closing defined benefit obligation	27,602	26,402

Changes in the fair value of the plan assets

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Opening fair value of plan assets	20,599	21,011
Expected return	1,111	1,068
Actuarial gain	1,384	582
Contributions by employer	588	439
Benefits paid	(1,148)	(1,304)
Foreign exchange adjustment	(250)	(1,197)
Closing fair value of plan assets	22,284	20,599

The group expects to contribute KD637 thousand to its defined benefits plans during 2012.

34 Defined benefit pensions schemes (continued)

The fair value of the plan assets, by category is as follows:

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Plan assets:		
Equities	9,137	8,239
Bonds	12,702	11,741
Other assets	445	619
	22,284	20,599

35 Segmental analysis

The group activities are concentrated in three main segments: investment, building material and specialist engineering. 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.

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

	Investment		Building materials		Specialist engineering		Total	
	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Segment revenue	46,925	64,127	40,319	40,924	63,369	56,323	150,613	161,374
Less:								
Income from investments							(24,838)	(32,390)
Profit on disposal of subsidiary							-	(646)
Share of result of associates							(14,464)	(29,680)
Realised loss on disposal of investment properties							353	-
Change in fair value of investment properties							(460)	3,015
Interest and other operating income							(7,516)	(4,426)
Unallocated sales							-	825
Sales, per consolidated statement of income							103,688	98,072
Segment (loss)/profit	(6,406)	(2,192)	9,062	10,068	3,693	(1,748)	6,349	6,128
Less:								
Finance costs							(40,866)	(37,359)
Other unallocated income							2,189	5,434
Loss before taxation and other statutory contribution, per consolidated statement of income							(32,328)	(25,797)
Segment assets	1,371,885	1,511,871	52,589	47,881	75,231	74,353	1,499,705	1,634,105
Segment liabilities	(32,857)	(24,472)	(13,530)	(10,330)	(19,600)	(20,395)	(65,987)	(55,197)
Segment net assets	1,339,028	1,487,399	39,059	37,551	55,631	53,958	1,433,718	1,578,908
Trust certificates issued							(132,549)	(147,533)
Borrowings and due to banks							(779,560)	(793,914)
Total equity, per consolidated statement of financial position							521,609	637,461

35 Segmental analysis (Continued)

Property, plant and equipment of the group are primarily utilised by the building materials segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering KD '000	Unallocated KD '000	Total KD '000
At 31 December 2011					
Additions to property, plant and equipment	247	3,715	1,181	-	5,143
Depreciation	513	2,558	2,912	-	5,983
Impairment in value of available for sale investments	40,061	-	-	-	40,061
At 31 December 2010					
Additions to property, plant and equipment	430	5,315	22,366	-	28,111
Depreciation	1,340	2,403	2,781	23	6,547
Impairment in value of available for sale investments and receivables and other assets	49,433	-	-	-	49,433
Impairment in value of investment in associate and goodwill	397	-	1,326	-	1,723

Geographical segments

The geographical analysis is as follows;

	Assets		Sales	
	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Kuwait	825,767	934,334	40,319	41,749
Outside Kuwait	673,938	699,771	63,369	56,323
	1,499,705	1,634,105	103,688	98,072

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

Details of significant related party transactions and balances are as follows:

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Transactions and balances included in the consolidated statement of financial position		
Due from related parties (refer note 21)	5,632	8,870
Due to related parties (refer note 30)	4,487	2,816
Acquisition of subsidiary from an associate (refer note 7c)	-	7,150
Purchase of investment from an associate (refer note 17a)	3,493	-

36 Related party transactions (continued)

	Year ended 31 Dec. 2011 KD '000	Year ended 31 Dec. 2010 KD '000
Transaction included in the consolidated statement of income		
Realised profits on disposal of a subsidiary to an associate	-	646
Management and placement fees earned from related parties	188	2,815
Purchase of raw materials – from associates	7,318	8,999
Finance costs – charged by associate company	-	615
Impairment in value of receivable – due from associates	-	3,851
Compensation of key management personnel of the group		
Short term employee benefits	3,076	2,578
End of service benefits	926	649
	4,002	3,227

37 Summary of financial assets and liabilities by category

37.1 Categories of financial assets and liabilities

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

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Financial assets:		
Loans and receivables:		
• Accounts receivable and other financial assets (refer note 21)*	72,927	56,524
• Murabaha and wakala investments	8,413	15,263
• Short term deposits	79,041	104,565
• Bank balance and cash	35,724	38,002
At fair value through profit or loss:		
• Investments at fair value through profit or loss		
- Held for trading	34,411	60,955
- Designated on initial recognition	47,405	58,163
• Unrealised gain on interest rate swaps (refer note 21)*	-	186
Available for sale investments (refer note 19)	826,038	894,867
	1,103,959	1,228,525
Financial liabilities:		
At amortised cost		
• Trust certificates issued (refer note 27)	132,549	147,533
• Long term borrowings	394,993	165,688
• Leasing creditors	300	446
• Accounts payable and other financial liabilities (refer note 30)*	53,913	40,428
• Short term borrowings	360,911	594,948
• Due to banks	23,656	33,278
At fair value		
• Unrealised loss on interest rate swaps (refer note 30) *	123	-
	966,445	982,321

*Accounts receivable and other financial assets and accounts payable and other financial liabilities are excluding unrealized gains/(loss) on interest rate swaps.

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

37.1 Categories of financial assets and liabilities (continued)

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the group's management, except for certain available for sale investments which are carried at cost for reasons specified in Note 19 to the consolidated financial statements the carrying amounts of financial assets and liabilities as at 31 December 2011 and 2010 approximate their fair values.

37.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

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

At 31 December 2011

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	a	-	-	75,914	75,914
Other managed portfolio	a	-	6,461	81,963	88,424
-Unquoted equity participations	b	-	-	126,787	126,787
-Quoted shares	c	446,078	-	-	446,078
Investment at fair value through profit or loss					
-Quoted shares	c	34,411	-	-	34,411
-Local funds	d	-	21,905	-	21,905
-International managed portfolios and funds	e	-	-	25,500	25,500
Total assets		480,489	28,366	310,164	819,019
Liabilities at fair value					
Fair value of interest rate swaps	e	-	123	-	123
		-	123	-	123

37 Summary of financial assets and liabilities by category (continued)**37.2 Fair value hierarchy for financial instruments measured at fair value (continued)**

At 31 December 2010

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	a	-	-	73,765	73,765
Other managed portfolio	a	-	8,087	91,606	99,693
-Unquoted equity participations	b	-	-	127,565	127,565
-Quoted shares	c	503,427	-	-	503,427
Investment at fair value through profit or loss					
-Quoted shares	c	60,955	-	-	60,955
-Local funds	d	-	33,666	-	33,666
-International managed portfolios and funds	e	-	-	24,497	24,497
Fair value of interest rate swaps	f	-	186	-	186
Total assets		564,382	41,939	317,433	923,754

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:

	31 Dec. 2011 KD'000	31 Dec. 2010 KD'000
Opening balance	317,433	339,838
Net change in fair value recognised in other comprehensive income	(4,826)	(2,632)
Impairment recognised in profit or loss	(14,971)	(21,852)
Net change in fair value recognised in profit or loss	(2,695)	1,305
Net disposals during the year	(369)	(3,992)
Reclassified from carried at cost to fair valued investments	15,592	4,766
Closing balance	310,164	317,433

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:

a) Managed funds*Private equity funds*

The underlying investments in these private equity funds mainly represent 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.

Other managed portfolios

The underlying investments of other managed portfolios represent foreign quoted and unquoted securities managed by specialized portfolio managers. They are valued based on periodic reports received from the portfolio managers.

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

Measurement at fair value (continued)

b) Unquoted equity participations

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) 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.

d) Local funds

The underlying investments of these funds mainly comprise of local quoted shares and money market instruments and the fair value of the investment has been determined based on net asset values reported by the fund manager as of the reporting date.

e) International managed portfolios and funds

The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on fund managers' report.

f) Interest rate swaps

The fair value of the derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions based on prevailing market information.

38 Risk management objectives and policies

The group's financial liabilities comprise due to banks, short term and long term borrowings, trust certificates issued, leasing creditors 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, bank balance and cash, murabaha and wakala investments, short term deposits 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 board of directors sets out policies for reducing each of the risks discussed below.

The group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the group's sources of finance. The group's policy is not to trade in derivative financial instruments.

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

38.1 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 East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar, Saudi Riyal and GBP. The consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

38 Risk management objectives and policies (continued)

38.1 Market risk (continued)

a) Foreign currency risk (continued)

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 on the basis of limits determined by the parent company's board of directors and a continuous assessment of the consolidated open positions.

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:

	31 Dec. 2011 Equivalent KD '000	31 Dec. 2010 Equivalent KD '000
US Dollars	(256,718)	(287,522)
Saudi Riyals	23,239	11,752
GBP	(7,662)	1,487

The parent company's management estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the loss for the year. There is no impact on the Group's other comprehensive income.

	Decrease in loss	
	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
US Dollars	12,836	14,376
Saudi Riyals	(1,162)	(588)
GBP	383	(74)
	12,057	13,714

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the loss for the year, and the balances shown above would be negative for US Dollars and GBP and positive for Saudi Riyals (2010: negative for US Dollars and positive for Saudi Riyals and GBP).

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 on its short term deposits (refer note 32), trust certificates issued (refer note 27), short and long term borrowings (refer note 31 and 28) and due to banks which are both at fixed and floating interest rates. The risk is managed by the group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

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

38 Risk management objectives and policies (continued)

38.1 Market risk (continued)

b) Interest rate risk (continued)

The following table illustrates the sensitivity of the loss for the year to reasonable possible change of interest rate of +25 (0.25%) 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 other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
(Increase)/decrease in loss for the year	(1,972)	(1,959)	5,917	5,877

c) Equity 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 issuer or factors affecting all instruments, traded in the market. The group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain, Abu Dhabi, Saudi Arabia and USA. Equity investments are classified either as "investments at fair value through profit or loss" or "available for sale investments".

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the group.

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

A positive number below indicates a decrease in loss and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Loss for the year		Other comprehensive income	
	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Investments at fair value through profit or loss	5,632	9,462	-	-
Available for sale investments	7,093*	3,452 *	37,515	46,891
	12,725	12,914	37,515	46,891

* Had equity prices been higher by 10% the impairment loss which was recognised in the consolidated statement of income would be reduced and consequently the loss for the year 2011 would be lower.

For a 10% decrease in the equity prices there would be an equal and opposite impact on the losses for the years and other comprehensive income and the amounts shown above would be negative.

38.2 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.

38 Risk management objectives and policies (continued)

38.2 Credit risk (continued)

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

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Available for sale investments	826,038	894,867
Accounts receivable and other assets (refer note 21)	72,927	56,710
Murabaha and wakala investments	8,413	15,263
Investments at fair value through profit or loss	81,816	119,118
Short term deposits	79,041	104,565
Bank balances	35,724	38,002
	1,103,959	1,228,525

The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. 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. None of the above financial assets are past due nor impaired except for certain wakala investments referred to in note 22, certain available for sale investments and account receivable and other asset referred to in note 19 and 21 respectively. 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.

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in note 38.3.

38.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	Kuwait KD '000	Other Middle Eastern Countries KD '000	Asia & Africa KD '000	UK & Europe KD '000	USA KD '000	Total KD '000
At 31 December 2011						
Geographic region:						
Available for sale investments	269,392	322,175	85,335	60,658	88,478	826,038
Accounts receivable and other assets	31,291	25,676	2,536	13,077	347	72,927
Murabaha and wakala investments	8,413	-	-	-	-	8,413
Investments at fair value through profit or loss	44,824	7,149	1,909	2,553	25,381	81,816
Short-term deposits	56,181	-	-	-	22,860	79,041
Bank balances and cash	28,474	3,719	467	2,669	395	35,724
	438,575	358,719	90,247	78,957	137,461	1,103,959
At 31 December 2010						
Geographic region:						
Available for sale investments	324,589	339,081	83,780	46,721	100,696	894,867
Accounts receivable and other assets	29,598	7,186	633	19,128	165	56,710
Murabaha and wakala investments	15,263	-	-	-	-	15,263
Investments at fair value through profit or loss	79,602	10,870	3,971	178	24,497	119,118
Short-term deposits	77,671	-	-	4,751	22,143	104,565
Bank balances and cash	29,322	4,379	507	3,352	442	38,002
	556,045	361,516	88,891	74,130	147,943	1,228,525

38 Risk management objectives and policies (continued)

38.4 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 contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	1-5 Years KD '000	Total KD '000
31 December 2011					
Financial liabilities (undiscounted)					
Trust certificates	-	393	133,204	-	133,597
Long-term borrowings	-	4,134	12,567	450,388	467,089
Leasing creditors	-	-	-	325	325
Accounts payable and other liabilities	23,349	11,872	18,815	-	54,036
Short-term borrowings	7,646	41,748	321,883	-	371,277
Due to banks	23,656	-	-	-	23,656
	54,651	58,147	486,469	450,713	1,049,980
31 December 2010					
Financial liabilities (undiscounted)					
Trust certificates	-	365	15,405	134,400	150,170
Long-term borrowings	-	1,075	8,097	186,077	195,249
Leasing creditors	4	12	32	483	531
Accounts payable and other liabilities	12,500	18,021	9,907	-	40,428
Short-term borrowings	259,538	116,453	226,882	-	602,873
Due to banks	33,278	-	-	-	33,278
	305,320	135,926	260,323	320,960	1,022,529

The group's short term borrowings principally represent revolving facilities with local and foreign banks and financial institutions. The group's management has successfully renewed all short term facilities which were classified as falling due within one month and one to three months.

39 Derivative financial instruments

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments of the Group represent interest rate swaps.

The notional amounts and the fair value of the interest rates swaps at the reporting date based on the contractual maturity days are as follows:

	31 Dec. 2011 Notional amount KD '000	31 Dec. 2010 Notional amount KD '000	31 Dec. 2011 Negative fair value KD '000	31 Dec. 2010 Positive fair value KD '000
Interest rate swaps (denominated in US Dollars)	27,896	84,330	123	186

The above 2011 interest rate swaps represent range accrual interest rates swap contracts with local bank and are based on 3 months LIBOR and mature in 2012.

The negative fair value of the interest rate swaps as at 31 December 2011 amounted to KD123 thousand (2010: positive fair value of KD186 thousand) and the changes in fair values are recognised in the consolidated statement of income and the corresponding liabilities under "other liabilities" (refer note 30) and in 2010 the corresponding asset under "other assets" (refer note 21).

39 Derivative financial instruments (continued)

The (negative)/positive fair value of the derivative financial instrument is equivalent to the market value and the notional amount is the amount of a derivative's underlying asset, and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions and are not indicative of credit risk.

Credit risk with respect to derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of derivatives that are favourable to the group.

40 Staff shares

The parent company has an approved share issuance scheme to its senior management, where the parent company's shares can be issued to staff as bonus shares by utilizing its treasury shares, and the scheme will expire in 2016. However no staff shares were issued during the year 2011 and 2010.

41 Capital risk management

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

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

The capital structure for the group consists of the following:

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Trust certificates issued (refer note 27)	132,549	147,533
Long term borrowings (refer note 28)	394,993	165,688
Short term borrowings (refer note 31)	360,911	594,948
Due to banks	23,656	33,278
	912,109	941,447
Less :		
Murabaha and wakala investments	(8,413)	(15,263)
Short - term deposits	(79,041)	(104,565)
Bank balances and cash	(35,724)	(38,002)
Net debt	788,931	783,617
Total equity	521,609	637,461

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2011 %	31 Dec. 2010 %
Net debt to equity ratio	151	123

42 Contingent liabilities

At 31 December 2011, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD14,164 thousand (2010: KD13,679 thousand).

43 Fiduciary assets

One of the subsidiary of the group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2011 amounted to KD43,032 thousand (2010: KD62,396 thousand) of which assets managed on behalf of related parties amounted to KD8,930 thousand (2010: KD11,196 thousand).

44 Capital commitments

At the reporting date the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling KD30,521 thousand (2010: KD53,609 thousand).

At the reporting date, the group had commitment to pay lease rentals amounting to KD6,743 thousand (2010: KD2,013 thousand).

45 Comparative information

Certain comparative information has 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 decrease in cash and cash equivalents.