NATIONAL INTERNATIONAL HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL INTERNATIONAL HOLDING COMPANY K.S.C. (CLOSED)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National International Holding Company K.S.C. (Closed) (the "Parent Company") and its Subsidiaries (collectively the "Group"), 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 cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices 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 the Group as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

BAKER TILLY
KUWAIT
Dr. Saud Al-humaidi & Partners
Public Accountants

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL INTERNATIONAL HOLDING COMPANY K.S.C. (Closed) (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's articles of association, that an inventory was carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the Parent Company's articles of association have occurred during the year ended 31 December 2011 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

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

26 March 2012
Kuwait

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2011

	Notes	*2011* *KD*	*2010* *KD*
Change in fair value of investment properties	11	**(985,225)**	(3,796,925)
Net loss on investment properties		**(985,225)**	(3,796,925)
Realised loss on sale of financial assets at fair value through profit or loss		**(238,762)**	(9,241)
Unrealised loss on financial assets at fair value through profit or loss		**(20,509)**	(179,107)
Realised gain on sale of financial assets available for sale		**2,247,951**	204,694
Impairment loss on financial assets available for sale	9	**(1,267,680)**	(2,770,094)
Share of results of an associate	10	**(53,840)**	28,676
Dividend income		**87,877**	34,765
Net investment gain (loss)		**755,037**	(2,690,307)
Allowance for impairment of receivables	7	**-**	(300,000)
Administrative expenses		**(395,058)**	(345,913)
Operating loss		**(625,246)**	(7,133,145)
Interest income		**80,596**	99,358
Other income	4	**309,926**	-
Foreign exchange gain (loss)		**10,871**	(21,474)
Finance costs		**(85,089)**	(673)
LOSS FOR THE YEAR		**(308,942)**	(7,055,934)
BASIC AND DILUTED LOSS PER SHARE	5	**(1.50) fils**	(34.05) fils

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011 *KD*	*2010* *KD*
Loss for the year	**(308,942)**	(7,055,934)
Other comprehensive income:		
Financial assets available for sale		
- Change in fair values	**1,503,595**	(5,074,643)
- Recycled on sale	**(2,247,951)**	(204,694)
- Impairment loss transferred to consolidated statement of income	**1,267,680**	2,770,094
Total other comprehensive income (loss) for the year	**523,324**	(2,509,243)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**214,382**	(9,565,177)

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	*2011* *KD*	*2010* *KD*
ASSETS			
Cash and bank balances	6	**981,680**	886,042
Accounts receivable and other assets	7	**2,942,047**	1,085,197
Financial assets at fair value through profit or loss	8	**336,560**	1,340,660
Financial assets available for sale	9	**29,926,577**	31,078,841
Investment in an associate	10	**107,812**	87,402
Investment properties	11	**10,495,000**	10,911,879
Furniture and equipment		**3,126**	4,850
TOTAL ASSETS		**44,792,802**	45,394,871
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**21,262,500**	21,262,500
Share premium		**6,268,488**	13,324,422
Cumulative changes in fair values		**11,165,433**	10,642,109
Treasury shares	15	**(1,357,204)**	(1,348,524)
Treasury shares reserve		**318,561**	318,561
Accumulated deficit		**(308,942)**	(7,055,934)
Total equity		**37,348,836**	37,143,134
Liabilities			
Bank overdrafts	6	**233,404**	531,355
Accounts payable and other liabilities	16	**1,210,562**	1,720,382
Term loan	17	**6,000,000**	6,000,000
Total Liabilities		**7,443,966**	8,251,737
TOTAL EQUITY AND LIABILITIES		**44,792,802**	45,394,871

Ali Ahmed Al-Bagli
(Chairman)

Abdulwahab Mohamed Al-Wazzan
(Deputy Chairman)

The attached notes 1 to 23 form part of these consolidated financial statements.

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	*2011* *KD*	*2010* *KD*
OPERATING ACTIVITIES			
Loss for the year		**(308,942)**	(7,055,934)
Non-cash adjustments to reconcile loss for the year to net cash flows:			
Change in fair value of investment properties	11	**985,225**	3,796,925
Realised gain on sale of financial assets available for sale		**(2,247,951)**	(204,694)
Impairment loss on financial assets available for sale	9	**1,267,680**	2,770,094
Share of results of an associate	10	**53,840**	(28,676)
Dividend income		**(87,877)**	(34,765)
Allowance for impairment of receivables	7	**-**	300,000
Interest income		**(80,596)**	(53,802)
Other income	4	**(309,926)**	-
Finance costs		**85,089**	673
Depreciation		**2,761**	2,589
Provision for employees' end of service benefits		**15,480**	12,675
		(625,217)	(494,915)
Working capital adjustments:			
Accounts receivable and other assets		**109,418**	68,801
Financial assets at fair value through profit or loss (net)		**1,004,100**	908,488
Accounts payable and other liabilities		**(215,374)**	809,015
Cash from operations		**272,927**	1,291,389
Finance costs paid		**(85,089)**	(673)
Net cash flows from operating activities		**187,838**	1,290,716
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**(1,476,680)**	(522,575)
Proceeds from sale of financial assets available for sale		**2,160,734**	2,531,339
Purchase of investment in an associate		**-**	(58,726)
Additions to investment properties	11	**(568,346)**	(2,971,212)
Purchase of furniture and equipment		**(1,037)**	(1,748)
Dividend income received		**87,877**	34,765
Interest income received		**11,883**	-
Net cash flows from (used in) investing activities		**214,431**	(988,157)
FINANCING ACTIVITIES			
Purchase of treasury shares		**(8,680)**	(17,480)
Net cash flows used in financing activities		**(8,680)**	(17,480)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**393,589**	285,079
Cash and cash equivalents at at 1 January		**354,687**	69,608
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6	**748,276**	354,687

The attached notes 1 to 23 form part of these consolidated financial statements.

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Share capital *KD*	*Share premium* *KD*	*Cumulative changes in fair values* *KD*	*Treasury shares* *KD*	*Treasury shares reserve* *KD*	*Accumulated deficit* *KD*	*Total* *KD*
As at 1 January 2011	21,262,500	13,324,422	10,642,109	(1,348,524)	318,561	(7,055,934)	37,143,134
Loss for the year	-	-	-	-	-	(308,942)	(308,942)
Other comprehensive income for the year	-	-	523,324	-	-	-	523,324
Total comprehensive income (loss) for the year	-	-	523,324	-	-	(308,942)	214,382
Extinguishment of accumulated losses (Note 12)	-	(7,055,934)	-	-	-	7,055,934	-
Purchase of treasury shares	-	-	-	(8,680)	-	-	(8,680)
At 31 December 2011	**21,262,500**	**6,268,488**	**11,165,433**	**(1,357,204)**	**318,561**	**(308,942)**	**37,348,836**
As at 1 January 2010	21,262,500	18,455,411	13,151,352	(1,331,044)	318,561	(5,130,989)	46,725,791
Loss for the year	-	-	-	-	-	(7,055,934)	(7,055,934)
Other comprehensive loss for the year	-	-	(2,509,243)	-	-	-	(2,509,243)
Total comprehensive loss for the year	-	-	(2,509,243)	-	-	(7,055,934)	(9,565,177)
Extinguishment of accumulated losses (Note 12)	-	(5,130,989)	-	-	-	5,130,989	-
Purchase of treasury shares	-	-	-	(17,480)	-	-	(17,480)
At 31 December 2010	21,262,500	13,324,422	10,642,109	(1,348,524)	318,561	(7,055,934)	37,143,134

The attached notes 1 to 23 form part of these consolidated financial statements.

1 ACTIVITIES

National International Holding Company K.S.C. (Closed) (the "Parent Company") is a Kuwaiti closed shareholding company registered and incorporated in Kuwait on 14 January 1979 and is engaged in investments in local and international markets.

The consolidated financial statements of the Parent Company and Subsidiaries (collectively the "Group") for the year ended 31 December 2011 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 26 March 2012. The ordinary general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after their issuance.

The consolidated financial statements of the Group for the year ended 31 December 2010 were approved by the shareholders of the Parent Company during the annual general assembly meeting held on 24 May 2011.

The registered office of the Parent Company is located on the 4th Floor, Chamber of Commerce and Industry Building, Al Shuhada Street, P.O.Box 25825 Safat Kuwait.

The Parent Company is a subsidiary of Global Macro Fund (the "Ultimate Parent Company").

2.1 BASIS OF PREPARATION

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

Basis of preparation
The consolidated financial statements are prepared under the historical cost convention as modified for the revaluation at fair value of financial assets at fair value through profit or loss, financial assets available for sale and investment properties.

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

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in Note 22.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss

2.2 BASIS OF CONSOLIDATION (continued)

- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

Details of the subsidiaries included in the consolidated financial statements set out below:

Name of the company	*Country of incorporation*	*Interest in equity %* 2011	2010	*Principal activities*
Al Ola National Real Estate Company W.L.L.	Kuwait	97	97	Purchase and sale of real estate
Al Ghad Project Management Company W.L.L.	Kuwait	97	97	Real estate projects Management

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended International Financial Reporting Standard ("IFRS") and IFRS Interpretation Committee ("IFRIC") interpretations effective as of 1 January 2011:

- IAS 24 *Related Party Disclosures (amendment)* effective 1 January 2011
- IAS 32 *Financial Instruments: Presentation (amendment)* effective 1 February 2010

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Transactions (Amendment)
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment)
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

Improvements to IFRSs
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments — Disclosures
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 Presentation of Financial Statements
The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in consolidated statement of comprehensive income

Other amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Improvements to IFRSs (continued)

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendment becomes effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to consolidated statement of income at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and will have no impact on the Group's financial position or performance.

IAS 27 Separate Financial Statements (as revised in 2011)

The amendment becomes effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

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

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and will have no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

This standard becomes effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation -Special Purpose Entities*.

It establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 12 Disclosure of Involvement with Other Entities

This standard becomes effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Improvements to IFRSs (continued)

IFRS 13 Fair Value Measurement

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts.

The following specific recognition criteria must also be met before revenue is recognised:

Dividend income

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

Interest income

Interest income is recognised as interest accrues using the effective yield method.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks and time deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and at banks, net of outstanding bank overdrafts.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

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

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

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

The Group's financial assets include cash and cash equivalents, receivables, financial assets at fair value through profit or loss, receivables and financial assets available for sale. At 31 December 2011, the Group did not have any financial assets held-to-maturity or as derivatives designated as hedging instruments.

Subsequent measurement

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

Receivables

Receivables are shown at the balance due, net of allowance for impairment. An estimate for doubtful debts is made, when collection of full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

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

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

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

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is recognised in the consolidated statement of income and removed from the available for sale reserve. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

(ii) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

Financial assets available for sale

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iii) Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities comprise loans and borrowings and accounts payable. At 31 December, the Group did not have any financial liabilities at fair value through profit or loss or as derivatives designated as hedging instruments.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest bearing loans and 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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the consolidated statement of income.

Accounts payable

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

Derecognition

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

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

(iv) 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.

(v) 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 23.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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

With respect to national employees, the Group makes contributions to be calculated at a percentage of the employees' salary. The Group obligations are limited to these contributions, which are expensed when due.

Investments in an associate
The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Transfers are made to investment property when, and 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 and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

Furniture and equipment
Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the applicable asset which is 5 years.

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

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

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-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 reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Foreign currencies

Foreign currency transactions are recorded in Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated to Kuwaiti Dinars at rates of exchange prevailing at the reporting date. Exchange differences are taken to the consolidated statement of income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Contingencies

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

Judgments

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

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

Classification of investments

Management decides on acquisition of an investment whether it should be classified as at fair value through profit or loss or available-for-sale.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they have readily available reliable fair values and the changes in fair values are reported as part of in the management accounts, they are classified as fair value through profit or loss.

All other financial assets are classified as available-for-sale.

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.

3 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

Judgments (continued)

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of receivables

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

Useful lives of furniture and equipment

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

Impairment of non- financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Impairment of investment in 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.

Valuation of investment properties

Fair value of investment properties is determined based on valuations by independent registered real estate assessors which have relevant experience in the local and international property market.

Impairment of financial assets available for sale

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

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

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

4 OTHER INCOME

Other income represents reversal of accrual due to a related party.

5 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated hy dividing the loss for the yeeighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 December. the Parent Company had no outstanding dilutive potential shares.

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

	2011	*2010*
Loss for the year (KD)	(308,942)	(7,055,934)
Weighted average number of ordinary shares outstanding during the year (excluding treasury sbares)	206,321,684	207,250,099
Basic and diluted loss per share	(1.50) fils	(34.05) fils

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows contain the following amounts:

	2011 *S»*	*2010* *KD*
Cash on hand	6,617	4,999
Bank balances	975,063	881,043
Total cash and bank balances	981,680	886,042
Bank overdrafts	(233,404)	(531,355)
	748,276	354,687

Bank overdrafts are payable to financial institutions in Kuwait and are denominated in Kuwaiti Dinars. Bank overdrafts carry interest of 3% (2010: 2.5%) per armum over the Central Bank of Kuwait discount rate.

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2011 *Im*	*2010* *KD*
Receivable from sale of financial assets available for sale	2,921,866	981,348
Amount due from related parties (Note 18)		74,250
Other receivables	20,181	29,599
	2,942,047	1,085,197

Receivable from sale of financial assets available for sale carries interest of 2% (2010: 5%) per annum and is receivable on demand.

As at 31 December 2011, receivables at nominal value of KD 896,839 (2010: KD 996,839) were impaired. Movements in the allowance for impairment of receivables were as follows:

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

	2011 *KD*	*2010* *KD*
At 1 January	**886,839**	586,839
Charge for the year	**-**	300,000
At 31 December	**886,839**	886,839

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 *KD*	*2010* *KD*
Held for trading:		
Quoted local equity securities	**334,250**	1,337,717
Managed portfolios (quoted local equity securities)	**2,310**	2,943
	336,560	1,340,660

9 FINANCIAL ASSETS AVAILABLE FOR SALE

	2011 *KD*	*2010* *KD*
Quoted local equity securities	**1,356,276**	782,204
Unquoted local and foreign equity securities	**24,083,774**	16,090,344
Managed portfolios (Quoted and unquoted)	**3,515,923**	12,446,991
Managed foreign funds	**970,604**	1,759,302
	29,926,577	31,078,841

An impairment loss of KD 211,943 (2010: KD 309,070) has been recorded against quoted local equity securities on which there has been a significant or prolonged decline in value.

Unquoted local and foreign equity securities amounting KD 13,652,582 (2010: KD 16,090,344) are carried at cost less impairment because fair value could not be reliably measured. Management has reviewed its unquoted securities for impairment and has recorded an impairment loss of KD 554,724 (2010: KD 1,889,082) in the consolidated statement of income. Management is not aware of any circumstances that would indicate any further impairment in the value of these investments at the reporting date. Unquoted local and foreign equity securities include equity security amounting to KD 10,431,192 (2010: KD Nil) are carried at fair value based on recent arm's length transactions available at the reporting date.

Managed portfolios amounting to KD 3,253,454 (2010: KD 12,145,808) are carried at fair value. The fair value of these investments is determined by reports provided by the investment manager, a related party (Note 18) and based on these reports an amount of KD 150,060 (2010: KD 114,596) has been recorded as an impairment loss in the consolidated statement of income. Managed portfolios include unquoted local equity securities amounting to KD 262,469 (2010: KD 301,911) are carried at fair value using observable market data.

Managed foreign funds are carried at net asset values reported by the investment manager, a related party (Note 18). An impairment loss of KD 350,953 (2010: KD 457,346) has been recorded in the consolidated statement of income on these investments.

10 INVESTMENT IN AN ASSOCIATE

The associate included in the consolidated financial statements is listed as follows:

Name of the company	*Country of incorporation*	*Equity interest*		*Carrying value*	
		2011	*2010*	*2011 KD*	*2010 KD*
Middle East for Digital Communications Company (Salah Yousef Abdullah Al Nafesi & Partners) W.L.L.	Kuwait	**33%**	33%	**107,812**	87,402

The following table illustrates summarized financial position of the associate as at 31 December.

	2011 KD	*2010 KD*
Share of associate's assets and liabilities:		
Current assets	**212,192**	213,602
Non-current assets	**36,984**	34,813
Current liabilities	**(111,187)**	(66,194)
Non-current liabilities	**(30,177)**	(94,819)
Equity	**107,812**	87,402
Share of associate's revenue and results:		
Revenue	**121,618**	68,595
(Loss) profit	**(53,840)**	28,676

The share of associate's results for the year ended 31 December 2011 has been accounted for based on management accounts.

11 INVESTMENT PROPERTIES

	2011 KD	*2010 KD*
At 1 January	**10,911,879**	11,737,592
Additions	**301,385**	2,599,137
Borrowing costs capitalised	**266,961**	372,075
Change in fair value	**(985,225)**	(3,796,925)
At 31 December	**10,495,000**	10,911,879

The fair value of the investment properties of KD 10,495,000 (2010: KD 10,911,879) has been determined by two independent valuers who are specialized in valuing these type of properties. The change in fair value was calculated on the average of the two values. The fair value has been determined using capitalization of earning from lease of property method.

Investment properties include properties under development for future use as investment properties which comprises land and construction costs amounting to KD 547,062 and KD 9,349,284 (2010: KD 547,062 and KD 8,780,938) respectively.

Investment properties of KD 10,095,000 (2010: KD 9,328,000) are pledged as collateral against the term loan (Note 17).

Land located in Dubai of KD 400,000 (2010: KD 1,583,879) is held in the name of the project owner as nominee on behalf of one of the Group's subsidiaries who has confirmed in writing that the subsidiary is the beneficial owner for the land.

12 SHARE CAPITAL

	2011 KD	2010 KD
Authorised, issued and fully paid up share capital : 212,625,000 shares of 100 fils each paid in cash	**21,262,500**	21,262,500

The Annual General Meeting of the Parent Company's shareholders held on 24 May 2011 approved the board of directors' proposal to extinguish the accumulated losses attributable to the Parent Company as at 31 December 2010 amounting to KD 7,055,934 (2010: KD 5,130,989) against share premium.

13 STATUTORY RESERVE

As required by the Kuwait Law of Commercial Companies and the Parent Company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and board of directors' remuneration should be transferred to statutory reserve. No transfer has been to made to statutory reserve since losses have been incurred during the year.

The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

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

14 GENERAL RESERVE

As required by the Parent Company's articles of association. 10% of the profit for the year before contribution to KFAS, NLST, Zakat and board of directors' remuneration should be transferred to general reserve. No transfer has been made to general reserve since losses have been incurred during the year.

The Ordinary General Meeting may upon an approval by the board of directors of the Parent Company increase the percentage as it deems appropriate, or may resolve to discontinue such annual transfers.

15 TREASURY SHARES

	2011	2010
Number of shares	**6,448,850**	6,288,850
Percentage of issued shares	**3%**	3%
Market value (KD)	**328,891**	333,309

Reserves of the Parent Company equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable in the Parent Company.

16 ACCOUNTS PAYABLE AND OTHER LIABALITIES

	2011 KD	2010 KD
Payable to contractors	**100,487**	258,864
Retention payable	**586,220**	586,220
Accrued expenses	**347,050**	554,692
Dividend payable	**153,507**	156,653
Other liabilities	**23,298**	163,953
	1,210,562	1,720,382

17 TERM LOAN

Current liabilities	*Effective interest rate*	*Maturity*	*KD 2010*	*KD 2009*
Kuwaiti Dinars	4 % per annum over Central Bank of Kuwait discount rate	August 2012	**6,000,000**	6,000,000

Term loan is secured by investment properties (Note 11).

18 RELATED PARTY TRANSACTIONS

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

Transactions with related parties included in the consolidated statement of income are as follows:

	Others KD	*Shareholders KD*	*2011 KD*	*2010 KD*
Realised gain on sale of financial assets available for sale	-	14,902	**14,902**	54,455
Impairment loss on financial assets available for sale	-	475,942	**(475,942)**	(442,992)
Share of results of an associate	(53,840)	-	**(53,840)**	28,676
Other income (Note 4)	309,926	-	**309,926**	28,676

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

	Others KD	*Shareholders KD*	*2011 KD*	*2010 KD*
Financial assets available for sale	-	3,083,088	**2,655,092**	8,243,032
Investments in an associate	107,812	-	**107,812**	87,402
Amount due from related parties (Note 7)	-	-	-	74,250
Accounts payable and other liabilities	-	-	-	356,979

Key management compensation

	2011 KD	*2010 KD*
Short-term employee benefits	68,400	66,028
End of service benefits	4,660	4,327
	73,060	70,355

19 SEGMENTAL INFORMATION

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

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

19 SEGMENTAL INFORMATION (continued)

Primary segment information

The Group operates into two major business segments which are investment and real estate. The principal activities and services under these segments are as follows:

Year ended 31 December 2011	*Equities and other investing activities KD*	*Real estate investing activities KD*	*Unallocated KD*	*Total KD*
Segment revenue	2,726,350	-	10,871	2,737,221
Segment loss				
Change in fair value of investment properties	-	(985,225)	-	(985,225)
Realised loss on sale of financial assets at fair value through profit or loss	(238,762)	-	-	(238,762)
Unrealised loss on financial assets at fair value through profit or loss	(20,509)	-	-	(20,509)
Impairment loss on financial assets available for sale	(1,267,680)	-	-	(1,267,680)
Share of results of an associate	(53,840)	-	-	(53,840)
Finance costs	(85,089)	-	-	(85,089)
Unallocated expenses – net	-	-	(395,058)	(395,058)
Segment results	1,060,470	(985,225)	(384,187)	(308,942)

As at 31 December 2011	*Equities and other investing activities KD*	*Real estate investing activities KD*	*Unallocated KD*	*Total KD*
Segment assets	33,292,815	10,495,000	1,004,987	44,792,802
Segment liabilities	-	6,686,707	757,259	7,443,966

Year ended 31 December 2010	*Equities and other investing activities KD*	*Real estate investing activities KD*	*Unallocated KD*	*Total KD*
Segment revenue	268,135	-	-	268,135
Segment results				
Change in fair value of investment properties	-	(3,796,925)	-	(3,796,925)
Realised loss on sale of financial assets at fair value through profit or loss	(9,241)	-	-	(9,241)
Unrealised loss on financial assets at fair value through profit or loss	(179,107)	-	-	(179,107)
Impairment loss on financial assets available for sale	(2,770,094)	-	-	(2,770,094)
Unallocated expenses - net	-	-	(568,702)	(568,702)
Segment loss	(2,690,307)	(3,796,925)	(568,702)	(7,055,934)

19 SEGMENTAL INFORMATION (continued)

As at 31 December 2010	*Equities and other investing activities KD*	*Real estate investing activities KD*	*Unallocated KD*	*Total KD*
Segment assets	34,469,599	10,911,879	13,393	45,394,871
Segment liabilities	-	7,376,439	875,298	8,251,737

Secondary segment information

The Group operates in different geographical areas. A geographical analysis based on location of revenue, results, assets and liabilities is as follows:

	Results	
	2011 KD	*2010 KD*
Geographical areas:		
Kuwait	**(1,270,119)**	(6,477,677)
GCC	**(738,420)**	(556,740)
United States of America	**(260,326)**	(20,643)
Europe	**1,959,923**	(874)
	(308,942)	(7,055,934)

	Assets		*Liabilities*	
	2011 KD	*2010 KD*	***2011 KD***	*2010 KD*
Geographical areas:				
Kuwait	**31,524,846**	29,255,665	**7,443,966**	8,251,737
GCC	**1,166,910**	2,070,533	**-**	-
United States of America	**628,925**	3,564,057	**-**	-
Europe	**11,472,121**	10,504,616	**-**	-
	44,792,802	45,394,871	**7,443,966**	8,251,737

20 CAPITAL COMMITMENTS

At 31 December 2011, the Group has commitments amounting to KD 82,436 (2010: KD 1,214,107) towards construction activities of the investment properties under development.

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process. The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to amounts appearing on the consolidated statement of financial position.

The Group's assets can be analysed as follows:

	2011 *KD*	*2010* *KD*
Banks balances	**981,680**	886,042
Accounts receivable and other assets	**2,942,047**	1,085,197
Total credit risk exposure	**3,923,727**	1,966,240

Accounts receivable of 99% (2010: 80%) represent receivable from one counter party.

21.2 Liquidity risk

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

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations.

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

31 December 2011	*Within 3 months* *KD*	*3 to 12 months* *KD*	*Over 1 year* *KD*	*Total* *KD*
Bank overdrafts	**245,658**	**-**	**-**	**245,658**
Accounts payable and other liabilities	**276,175**	**840,214**	**94,173**	**1,210,562**
Term loan	**-**	**6,375,000**	**-**	**6,375,000**
Total liabilities	**521,833**	**7,215,214**	**94,173**	**7,831,220**
Capital commitments	**-**	**82,436**	**-**	**82,436**

31 December 2010	*Within 3 months* *KD*	*3 to 12 months* *KD*	*Over 1 year* *KD*	*Total* *KD*
Bank overdrafts	563,236	-	-	563,236
Accounts payable and other liabilities	639,608	1,001,737	79,037	1,720,382
Term loan	-	6,365,000	-	6,365,000
Total liabilities	1,202,844	7,366,737	79,037	8,648,618
Capital commitments	-	1,214,107	-	1,214,107

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3 Market risk

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

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

21.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its borrowing facilities (bank overdrafts and term loan).

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant:

	Increase in basis points	*Effect on loss for the year KD*
2011	+/-1%	62,334
2010	+/-1%	-

21.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group manages its foreign currency risk by continuous assessment of the Group's open positions and current and expected exchange rate movements.

The Group is exposed to currency risk on purchases and sales of securities that are denominated in a currency other than the Kuwaiti Dinars mainly in US dollars. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinars.

The table below indicates the effect of a reasonably possible movement of the currency rate against the Kuwaiti Dinars, with all other variables held constant on the loss and the fair value reserve.

	Increase/decrease in foreign currency rate	*Effect on loss for the year KD*	*Effect on fair value reserve KD*
2011			
US Dollar	+/-5%	**5,726**	**44,592**
Euro	+/-5%	**14,255**	**52,046**
Sterling Pound	+/-5%	-	**51,250**

	Increase/decrease in foreign currency rate	*Effect on loss for the year KD*	*Effect on fair value reserve KD*
2010			
US Dollar	+/-5%	927	27,758
Euro	+/-5%	6,417	68,420
Sterling Pound	+/-5%	-	63,030

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3 Market risk (continued)

21.3.3 Equity price risk
Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of industry concentration.

The following table demonstrates the sensitivity of the quoted investment value to reasonably possible changes in equity prices, with all other variables held constant. The effect of increases in equity prices is expected to be equal and opposite to the effect of the increases shown.

The effect on equity (as a result of a change in the fair value of financial assets available for sale at 31 December) and Group's results (as a result of a change in the fair value of financial assets at fair value through profit or loss at 31 December) due to a reasonably possible change in market indices, with all other variables held constant are as follows:

	2011			*2010*		
Market indices	*Change in equity price %*	*Effect on equity KD*	*Effect on loss KD*	*Change in equity price %*	*Effect on equity KD*	*Effect on loss KD*
Kuwait	+-5	76,391	24,902	+-5	850,504	68,358
Others	+-5	7,254	-	+-5	703,438	-

21.3.3 Equity price risk

In respect of unquoted financial assets available for sale that are carried at cost (Note 9) , the impact of changes in equity prices cannot be reliably determined due to unavailability of reliable fair value of these investments.

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

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010. Capital comprises total equity of the Group excluding cumulative change in fair values reserve, and is measured at KD 26,183,403 as at 31 December 2011 (2010: KD 26,501,025).

22 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled from the reporting date. The maturity profile for financial assets at fair value through statement of income, financial assets available for sale, and property under development is based on management's estimate of liquidation of those financial assets. The maturity profile of assets and liabilities at 31 December are as follows:

31 December 2011	*Up to 3 month*	*3 – 12 months*	*Over 1 year*	*Total*
ASSETS	*KD*	*KD*	*KD*	*KD*
Cash and cash equivalents	981,680	-	-	981,680
Accounts receivable and other assets	20,181	2,921,866	-	2,942,047
Financial assets at fair value through profit or loss	-	336,560	-	336,560
Financial assets available for sale	-	-	29,926,577	29,926,577
Investment in an associate	-	-	107,812	107,812
Investments properties	-	-	10,495,000	10,495,000
Furniture and equipment	-	-	3,126	3,126
Total assets	1,001,861	3,258,426	40,532,515	44,792,802
LIABILITIES				
Bank overdrafts	233,404	-	-	233,404
Accounts payable and other liabilities	-	1,116,389	94,173	1,210,562
Term loan	-	6,000,000	-	6,000,000
Total liabilities	233,404	7,116,389	94,173	7,443,966

31 December 2010	*Up to 3 month*	*3 – 12 months*	*Over 1 year*	*Total*
ASSETS	*KD*	*KD*	*KD*	*KD*
Cash and cash equivalents	886,042	-	-	886,042
Accounts receivable and other assets	103,850	981,347	-	1,085,197
Financial assets at fair value through profit or loss	-	1,340,660	-	1,340,660
Financial assets available for sale	-	-	31,078,841	31,078,841
Investment in an associate	-	-	87,402	87,402
Investments properties	-	-	10,911,879	10,911,879
Furniture and equipment	-	-	4,850	4,850
Total assets	989,892	2,322,007	42,082,972	45,394,871
LIABILITIES				
Bank overdrafts	-	531,355	-	531,355
Accounts payable and other liabilities	-	1,641,345	79,037	1,720,382
Term loan	-	6,000,000	-	6,000,000
Total liabilities	-	8,172,700	79,037	8,251,737

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalent, investments and receivables. Financial liabilities consist of bank overdrafts, term loans and payables. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of these financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 9), are not materially different from their carrying values at the reporting date.

As at 31 December, the Group held the following instruments measured at fair value:

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

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

Fair value of financial assets at fair value through profit or loss and financial assets available for sale are based on the following:

At 31 December 2011	*Level: 1* *KD*	*Level: 2* *KD*	*Level: 3* *KD*	*Total fair value* *KD*
Financial assets at fair value through profit or loss	336,560	-	-	336,560
Financial assets available for sale	1,356,276	10,693,661	4,224,058	16,273,995
	1,692,836	10,693,661	4,224,058	16,610,555

At 31 December 2010	*Level: 1* *KD*	*Level: 2* *KD*	*Level: 3* *KD*	*Total fair value* *KD*
Financial assets at fair value through profit or loss	1,340,660	-	-	1,340,660
Financial assets available for sale	782,204	301,911	13,904,382	14,988,497
	2,122,864	301,911	13,904,382	16,329,157

During the year there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.