Consolidated financial statements and independent auditors' report

Tamdeen Real Estate Company – KSC (Closed) and Subsidiaries

Kuwait

31 December 2011

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and Subsidiaries
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Contents

Grant Thornton
Al-Qatami, Al-Aiban & Partners

Auditors & Consultants
Souq Al Kabeer Building - Block A - 9th Floor
Tel : (965) 2244 3900-9
Fax: (965) 2243 8451
P.O.Box 2986, Safat 13030
Kuwait
www.gtkuwait.com

UHY Fawzia Mubarak Al-Hassawi
Auditors & Consultant

An independent member firm of UHY
P.O. Box 20316, Safat 13064 – Kuwait
Tel : +965- 2564221
Fax : +965 2564214
E-mail : fawzia@fmh.com.kw

Independent auditors' report

To the shareholders of
Tamdeen Real Estate Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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 Tamdeen Real Estate Company and its subsidiaries as at 31 December 2011, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Fawzia Mubarak Al-Hassawi
(Licence No. 80-A)
of UHY-Fawzia Mubarak Al-Hassawi

Kuwait
29 March 2012

Consolidated statement of income

	Notes	Year ended 31 Dec. 2011 KD'000	Year ended 31 Dec. 2010 KD'000
Revenue			
Operational income		**9,292**	16,871
Operational expenses	8	**(3,528)**	(5,098)
Net operational income		**5,764**	11,773
Other operational income	9	**1,009**	701
Fees from management of real estate and investment portfolios		**17**	43
Profit from sale of investment properties		**-**	130
Change in fair value of investment properties	14	**1,025**	1,076
Profit from sale of investments in lands and real estate held for trading	18	**1,693**	1,735
Profit from sale of shares in associated companies	13	**2,682**	3,329
Profit from sale of lands		**-**	84
Net income from investments	10	**3,226**	5,648
Share of profit in associated companies	13	**1,328**	2,746
Other income		**934**	1,224
Foreign currency exchange loss		**(119)**	(47)
		17,559	28,442
Expenses and other charges			
Staff costs		**2,203**	3,233
General and administrative expenses		**3,281**	4,638
Finance costs		**6,489**	10,466
		11,973	18,337
Profit for the year before contribution to KFAS, contribution to Zakat, provision for NLST and board of directors' remuneration		**5,586**	10,105
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**-**	-
Contribution to Zakat		**(4)**	-
Provision for National Labour Support Tax (NLST)		**(62)**	(71)
Board of directors' remuneration		**(70)**	(70)
Profit for the year		**5,450**	9,964
Attributable to :			
Owners of the parent company		**3,824**	4,625
Non-controlling interests		**1,626**	5,339
		5,450	9,964
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	11	**10.3 Fils**	12.4 Fils

The notes set out on pages 10 to 43 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
Profit for the year	**5,450**	9,964
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	**(93)**	(585)
Available for sale investments:		
- Net change in fair value during the year	**(5,078)**	20,519
-Transferred to consolidated statement of income on sale	**(1,096)**	(3,776)
- Transferred to consolidated statement of income on impairment in value	**1,297**	1,815
Total other comprehensive (loss)/income	**(4,970)**	17,973
Total comprehensive income for the year	**480**	27,937
Attributable to:		
Owners of the parent company	**(1,146)**	22,598
Non-controlling interests	**1,626**	5,339
	480	27,937

Consolidated statement of financial position

	Notes	31 Dec. 2011 KD'000	31 Dec. 2010 KD'000
Assets			
Non-current assets			
Available for sale investments	12	**97,358**	104,759
Investments in associated companies	13	**71,064**	75,068
Investment properties	14	**49,750**	48,725
Projects in progress	15	**4,421**	4,014
Property, plant and equipment	16	**1,982**	651
		224,575	233,217
Current assets			
Cash and bank balances		**2,741**	4,808
Short term deposits		**5,313**	7,593
Investments at fair value through profit or loss		**757**	812
Accounts receivable and other debit balances	17	**21,317**	17,092
Investments in lands and real estate held for trading	18	**15,987**	41,007
		46,115	71,312
Total assets		**270,690**	304,529
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital		**37,312**	37,312
Share premium		**11,132**	11,132
Treasury shares	19	**(645)**	(523)
Reserve of profit on sale of treasury shares		**739**	739
Legal reserve	20	**8,045**	7,649
Voluntary reserve	20	**9,443**	9,047
Foreign currency translation reserve		**-**	93
Retained earnings		**13,080**	13,755
Cumulative changes in fair value		**20,512**	25,389
Total equity attributable to owners of the parent company		**99,618**	104,593
Non-controlling interests		**46,953**	50,125
Total equity		**146,571**	154,718
Liabilities			
Non-current liabilities			
Term loans	21	**60,500**	67,000
Refundable rental deposits		**1,144**	1,185
Provision for end of service indemnity		**559**	473
		62,203	68,658
Current liabilities			
Bank facilities	22	**1,811**	15,168
Accounts payable and other credit balances	23	**10,105**	10,985
Current portion of term loans	21	**50,000**	55,000
		61,916	81,153
Total liabilities		**124,119**	149,811
Total equity and liabilities		**270,690**	304,529

Mohammed Jassim Al-Marzouq
Chairman and CEO

Ali Yacoub Ghafil Aryan
Vice-Chairman

The notes set out on pages 10 to 43 form an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity

	Equity attributable to owners of the parent company											
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Retained earnings KD'000	Cumulative changes in fair value KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2011	37,312	11,132	(523)	739	7,649	9,047	93	13,755	25,389	104,593	50,125	154,718
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,798)	(4,798)
Net change in treasury shares	-	-	(122)	-	-	-	-	-	-	(122)	-	(122)
Transferred to reserves (Note 20)	-	-	-	-	396	396	-	(792)	-	-	-	-
Cash dividends (Note 24)	-	-	-	-	-	-	-	(3,707)	-	(3,707)	-	(3,707)
Transactions with the owners	-	-	(122)	-	396	396	-	(4,499)	-	(3,829)	(4,798)	(8,627)
Profit for the year	-	-	-	-	-	-	-	3,824	-	3,824	1,626	5,450
Other comprehensive loss	-	-	-	-	-	-	(93)	-	(4,877)	(4,970)	-	(4,970)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(93)	3,824	(4,877)	(1,146)	1,626	480
Balance as at 31 December 2011	**37,312**	**11,132**	**(645)**	**739**	**8,045**	**9,443**	**-**	**13,080**	**20,512**	**99,618**	**46,953**	**146,571**

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent company											
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Retained earnings KD'000	Cumulative changes in fair value KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2010	37,312	11,132	(201)	732	7,172	8,570	678	13,797	6,831	86,023	114,673	200,696
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(69,887)	(69,887)
Net change in treasury shares	-	-	(322)	-	-	-	-	-	-	(322)	-	(322)
Net change in reserve of profit on sale of treasury shares	-	-	-	7	-	-	-	-	-	7	-	7
Transferred to reserves (Note 20)	-	-	-	-	477	477	-	(954)	-	-	-	-
Cash dividends (Note 24)	-	-	-	-	-	-	-	(3,713)	-	(3,713)	-	(3,713)
Transactions with the owners	-	-	(322)	7	477	477	-	(4,667)	-	(4,028)	(69,887)	(73,915)
Profit for the year	-	-	-	-	-	-	-	4,625	-	4,625	5,339	9,964
Other comprehensive (loss)/income	-	-	-	-	-	-	(585)	-	18,558	17,973	-	17,973
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(585)	4,625	18,558	22,598	5,339	27,937
Balance as at 31 December 2010	37,312	11,132	(523)	739	7,649	9,047	93	13,755	25,389	104,593	50,125	154,718

The notes set out on pages 10 to 43 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2011 KD'000	Year ended 31 Dec. 2010 KD'000
OPERATING ACTIVITIES		
Profit for the year attributable to owners of the parent company	3,824	4,625
Adjustments:		
Depreciation	287	137
Provision for end of service indemnity	115	165
Net unrealised loss/(profit) from investments at fair value through profit or loss	55	(351)
Net profit from sale of investments at fair value through profit or loss	-	(146)
Profit from sale of investment properties	-	(130)
Profit from sale of investments in lands and real estate held for trading	(1,693)	(1,735)
Profit from sale of lands	-	(84)
Change in fair value of investment properties	(1,025)	(1,076)
Net profit from sale of available for sale investments	(1,204)	(3,776)
Impairment in value of available for sale investments	1,297	1,815
Dividends income	(3,290)	(2,965)
Interest income	(84)	(225)
Share of profit in associated companies	(1,328)	(2,746)
Profit from sale of shares in associated companies	(2,682)	(3,329)
Reversal of provisions no longer required	(222)	(500)
Finance costs	6,489	10,466
	539	145
End of service indemnity paid	(29)	(43)
	510	102
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	12,686	(1,476)
Accounts payable and other credit balances	(122)	(2,479)
Refundable rental deposits	(41)	29
Net cash from/(used in) operating activities	13,033	(3,824)

Consolidated statement of cash flows (Continued)

	Note	Year ended 31 Dec. 2011 KD'000	Year ended 31 Dec. 2010 KD'000
INVESTING ACTIVITIES			
Net purchase of investments at fair value through profit or loss		-	(444)
Proceeds from sale of investments at fair value through profit or loss		-	212
Net purchase of available for sale investments		(3,757)	(145)
Proceeds from sale of available for sale investments		4,015	11,701
Investments in lands and real estate held for trading		-	(1)
Proceeds from sale of investments in lands and real estate held for trading		7,580	1,909
Investments in associated companies		-	(540)
Proceeds from sale of shares in associated companies		6,596	-
Investment properties		-	(285)
Projects in progress		100	(343)
Net purchase of property, plant and equipment		(534)	(345)
Dividends income received		3,290	2,965
Interest income received		84	225
Net cash from investing activities		17,374	14,909
FINANCING ACTIVITIES			
Cash dividends to shareholders		(3,208)	(3,787)
Change in non-controlling interests		519	2,325
Change in bank facilities		(13,357)	828
Net change in treasury shares		(122)	(315)
Change in term loans		(11,500)	3,000
Change in foreign currency translation reserve		(93)	(585)
Finance costs paid		(6,993)	(7,750)
Net cash used in financing activities		(34,754)	(6,284)
Net (decrease)/increase in cash and cash equivalents		(4,347)	4,801
Cash and cash equivalents at the beginning of the year		12,401	14,810
Cash and cash equivalents disposed as a result of loss of control of a subsidiary company (previously)		-	(7,210)
Cash and cash equivalents at the end of the year	25	8,054	12,401

The notes set out on pages 10 to 43 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

31 December 2011

1 Incorporation and activities of the parent company

Tamdeen Real Estate Company – KSC (Closed) (the parent company) was incorporated in Kuwait on 16 December 1982 in accordance with the Commercial Companies Law. Its shares are listed on the Kuwait Stock Exchange.

The principal activities of the parent company are represented in the real estate investments inside and outside the State of Kuwait, for the purposes of ownership, resale, leasing and renting. The parent company is also engaged in the development of real estate projects and construction contracts of buildings, managing the properties of others, establishing and managing real estate investment funds, real estate studies and consultancy, and investing in companies with activities similar to its own and in financial portfolios managed by professional companies and authorities.

The address of the parent company's registered office is PO Box 21816, Safat 13079, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2011 were authorised for issue by the parent company's board of directors on 29 March 2012 and are subject to the approval of the general assembly of the shareholders.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets available for sale and investment properties that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD").

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 except as discussed below.

The Group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued during the year:

4.1 Adoption of Improvements to IFRSs 2010

The Improvements to IFRSs 2010 made several minor amendments to a number of IFRSs. The only amendment relevant to the Group relates to IAS 1 Presentation of Financial Statements. The Group previously presented the reconciliations of each component of other comprehensive income in the consolidated statement of changes in equity. The Group now presents these reconciliations in the notes to the consolidated financial statements, as permitted by the amendment. This reduces duplicated disclosures and presents more clearly the overall changes in equity.

4 Changes in accounting policies (continued)

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 time during the period beginning at or after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated 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 consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements - Revised as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates - Revised as IAS 28 Investments – Associates and Joint Venture	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendment	1 July 2011
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

4.3 IAS 1 Presentation of Financial Statements

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

a) Potentially reclassifiable to consolidated statement of income in a subsequent period.
b) That will not be reclassified to consolidated statement of income subsequently. The Group will change the current presentation of the consolidated statement of comprehensive income when the amendment becomes effective.

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

As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

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

As a result of the consequential amendments, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

4.6 IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off consolidated financial statements activities. The amendments will allow users of the consolidated 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 Changes in accounting policies (continued)

4.7 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2015. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

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, due to the non-completion of the remaining stages of the standard.

4.8 IFRS 10 Consolidated Financial Statements

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

4.9 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 adoption of this standard is not expected to have a significant impact on the financial position and performance of the Group.

5 Significant accounting policies

5.1 Basis of consolidation

The financial statements of the parent company and its subsidiaries are consolidated within the consolidated financial statements. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December (OR 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).

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 up to the effective date of disposal.

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

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.

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated income statement.

5.2 Business combinations

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

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

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

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

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 above for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.14 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.

5 Significant accounting policies (continued)

5.4 Investment in associates (continued)

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 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.

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 income statement.

5.5 Segment reporting

The Group has two operating segments: the real estate and investment 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. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated 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 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.

Profit and loss on trade of investments are recognised as and when they are realised. Dividends income is recognised when the right to receive payment is established. Other income is accounted for under the accrual basis.

5.6.1 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. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date in the same way as construction contracts.

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.

5 Significant accounting policies (continued)

5.6 Revenue (continued)

5.6.1 Rendering of services (continued)

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.

5.6.2 Interest and similar income

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

5.6.3 Dividend income

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

5.7 Operating expenses

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

5.8 Finance costs

Finance costs are recognised in the consolidated statement of income for the year on a time proportion basis over the maturity period of the related liabilities.

5.9 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment. The following annual rates are applied:

• Machines and equipment	20% to 33.33%
• Vehicles	20% to 25%
• Furniture, fixtures and office equipment	5% to 33.33%

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated income statement.

5 Significant accounting policies (continued)

5.10 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within "change in fair value of investment property".

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.

5.11 Property under development

Property under development represents property held for future use as investment property and is initially measured at cost. Subsequently, property under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated income statement.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

5.12 Investments in lands and real estate held for trading

Trading properties are stated at the lower of cost or net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

5.13 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

5 Significant accounting policies (continued)

5.13 Intangible assets (continued)

The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

5.14 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 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 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.

5.15 Financial instruments

5.15.1 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:

5 Significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.1 Recognition, initial measurement and derecognition (continued)

- 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.

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

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 income statement.

5.15.2 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:

- 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 income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

- ***Receivables***

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

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

The Group categorises receivables into following categories:

5 Significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.2 Classification and subsequent measurement of financial assets (continued)

- ***Receivables (continued)***

- *Trade receivables*

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

- *Cash and cash equivalents*

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

- ***Financial assets at FVTPL***

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. 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 income statement in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, 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.

- ***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

- ***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.

5 Significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.2 Classification and subsequent measurement of financial assets (continued)

- ***AFS financial assets (continued)***

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

5.15.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

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

- ***Financial liabilities other than at fair value through profit or loss***

These are stated using effective interest rate method. Borrowings, Wakala Payables and Bonds are classified as financial liabilities other than at FVTPL.

- *Trade payables*

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

- *Borrowings*

Term loans are carried on the date of the consolidated statement of financial position at their principal amounts. Interest is charged as an expense as it accrues, with unpaid interest included in the creditors' balances. All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Wakala payables*

Wakala payables represent short-term borrowings under Islamic principles and are stated at amortised cost.

- *Bonds*

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

- *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.

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 finance income.

5 Significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.4 Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

All derivative financial instruments are recognised in the consolidated statement of financial position as either assets (positive fair values) or liabilities (negative fair values).

Derivative financial instruments used by the Group include interest rate swaps.

- *Swaps*

Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates. Typically, for an interest rate swap, a floating rate interest stream will be exchanged for a fixed rate or vice versa.

5.15.5 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.

5.15.6 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.

5.15.7 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.

5.15.8 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.

5 Significant accounting policies (continued)

5.16 Equity, reserves and dividend payments

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

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

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

Other components of equity include the following:

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

Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

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

5.17 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 "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.

5.18 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 Significant accounting policies (continued)

5.19 Impairment and uncollectability of financial assets
An assessment is made at the date of each consolidated statement of financial position to determine whether there is objective evidence that a specific financial asset, or group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the consolidated statement of income. For assets carried at amortised cost, future anticipated cash flows are discounted at the financial instrument's original effective interest rate. For assets carried at fair value, impairment is the difference between cost and fair value.

5.20 Recognition and derecognition of financial assets and liabilities
A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the financial instrument. A financial asset (in whole or in part) is derecognised either when the group has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a proportion of the asset. A financial liability is de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

5.21 Use of estimates
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities at the date of the consolidated financial statements. The use of estimates is principally limited to the determination of fair valuation of unquoted investments and investment properties.

5.22 Related party transactions
Related parties consist of the members of the board of directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are conducted on an arm's length basis and in the ordinary course of business.

5.23 Foreign currency translation

5.23.1 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.

5.23.2 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.

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

5 Significant accounting policies (continued)

5.23 Foreign currency translation (continued)

5.23.3 Foreign operations (continued)

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.

5.24 End of service indemnity

The Group 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.

5.25 Taxation

5.25.1 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 after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.25.2 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 associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.25.3 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.

6 Significant management judgments

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 Significant management judgments (continued)

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.

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 profit or loss 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.

6.1.2 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.

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.

6.1.3 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

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 Significant management judgments (continued)

6.2 Estimates uncertainty (continued)

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 income statement.

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.

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

6.2.5 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 obsolescence that may change the utility of certain software and equipment.

6.2.6 Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

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.

7 Subsidiary companies
The list of the consolidated subsidiary companies of the parent company is as follows:

Subsidiary companies	Percentage of ownership in subsidiary companies		Country of incorporation	Principal activity	Date of incorporation	Date of acquisition
	2011 %	2010 %				
Tamdeen Investment Company-KSC (Closed)	**51.37**	51.37	Kuwait	Investment	3 March 1997	11 January 2003
Manshar Real Estate Company - KSC (Closed)	**75.685**	75.685	Kuwait	Real estate	17 March 2007	17 March 2007
Tamdeen Housing Company - KSC (Closed)	**45.41**	45.41	Kuwait	Real estate	21 July 2008	21 July 2008

8 Operational expenses

	Year ended 31 Dec. 2011 KD'000	Year ended 31 Dec. 2010 KD'000
Direct staff costs	714	999
Other real estate expenses	2,814	4,099
	3,528	5,098

9 Other operational income

	Year ended 31 Dec. 2011 KD'000	Year ended 31 Dec. 2010 KD'000
Car parking and yacht club membership revenue	64	39
Projects management fees and consultancies	453	73
Services revenue – Al Kout Complex	209	201
Other miscellaneous revenue	283	388
	1,009	701

10 Net income from investments

	Year ended 31 Dec. 2011 KD'000	Year ended 31 Dec. 2010 KD'000
Net profit from sale of investments at fair value through profit or loss	-	146
Net profit from sale of available for sale investments	1,204	3,776
Impairment in value of available for sale investments	(1,297)	(1,815)
Net unrealised (loss)/profit from investments at fair value through profit or loss	(55)	351
Dividends income	3,290	2,965
Interest income	84	225
	3,226	5,648

11 Earnings per share attributable to owners of the parent company

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Profit for the year attributable to owners of the parent company (KD'000)	3,824	4,625
Weighted average of outstanding shares number (excluding treasury shares) (in thousand)	370,811	371,489
Earnings per share attributable to owners of the parent company	**10.3 Fils**	12.4 Fils

12 Available for sale investments

	2011 KD'000	2010 KD'000
Local managed portfolios and funds	**4,424**	4,171
Participations in unquoted local companies shares	**7,879**	5,517
Participations in capital of companies located outside Kuwait	**85,055**	95,071
	97,358	104,759

The item of participations in capital of companies located outside Kuwait includes the investments of one of the consolidated subsidiary companies [Tamdeen Investment Company – KSC (Closed)] and which are represented in quoted investments in foreign financial markets. Included in these participations, there is an investment by that subsidiary in the share capital of a Gulf quoted financial institution and which includes mortgaged participations with a total fair value of KD75,879 thousand (2010: KD84,237 thousand) against term loans (Note 21) and bank facilities (Note 22).

13 Investments in associated companies

This item comprises the investments of the group in the following associated companies:

		2011		2010	
Company's name	**Place of incorporation**	**Direct & indirect ownership %**	**Value KD'000**	Direct & indirect ownership %	Value KD'000
Ajmal Holding Company - BSC	Bahrain	**29**	**10,040**	29	10,463
Tamdeen Holding Co. – KSC (Closed)	Kuwait	**43**	**14,260**	43	14,858
Fucom for Central Markets – KSC (Closed)	Kuwait	**25**	**262**	25	100
Beyoo Leasing & Financing Co. – KSC (Closed)	Kuwait	**-**	**-**	21	3,893
Tamdeen Shopping Centers Company – KSC (Closed)	Kuwait	**30**	**33,656**	30	32,563
Tamdeen Franchises Holding Company – KSC (Holding)	Kuwait	**30**	**12,169**	30	12,521
Tamdeen Resorts Company – WLL	Kuwait	**25**	**133**	25	130
Al-Maysam Trading Company – WLL	Kuwait	**46**	**544**	46	540
			71,064		75,068

As follows, the group's share in the net assets and profit for the year of the associated companies in the amount of the latest financial statements available at the date of the consolidated statement of financial position:

	2011 KD'000	2010 KD'000
Assets	**121,329**	132,322
Liabilities	**(50,265)**	(57,254)
Net assets	**71,064**	75,068
Profit for the year	**1,328**	2,746

The amount of profit from sale of shares in associated companies which was recognised in the consolidated statement of income for the year, is represented in the profit which has resulted from the sale transaction which was performed by the group during the year for its total share in Beyoo Leasing and Financing Company – KSC (Closed), and which has amounted to KD2,682 thousand (2010: net profit of amount KD3,329 thousand which has resulted from the sale of the group's total share in Barwat Al-Doha Real Estate Company – WLL). The sale value of that transaction has amounted to KD6,596 thousand.

14 Investment properties

	2011 KD'000	2010 KD'000
Value at beginning of the year	**48,725**	124,619
Additions during the year	**-**	285
Disposed as a result of loss of control of a subsidiary company and non consolidation	**-**	(77,255)
Change in fair value during the year	**1,025**	1,076
Value at end of the year	**49,750**	48,725

The fair value of the local investment properties has been estimated by an interdependent real estate office and assessed by a local bank.

Based on these estimations, the management has made the necessary deductions there from and included the value of the investment properties as stated above.

The investment properties are represented in a property related to the subsidiary company [Manshar Real Estate Company – KSC (Closed)] with net fair value of KD49,750 thousand (2010: KD48,725 thousand) mortgaged for local banks against term loans (Note 21) and bank facilities (Note 22).

15 Projects in progress

	2011 KD'000	2010 KD'000
Cost		
At 1 January	**4,130**	80,703
Additions	**963**	343
Disposals	**(49)**	-
Disposed as a result of loss of control of a subsidiary company and non consolidation	**-**	(76,916)
At 31 December	**5,044**	4,130
Impairment in value		
At 1 January	**116**	307
Additions	**507**	-
Relating to disposals	**-**	(191)
At 31 December	**623**	116
Net book value at 31 December	**4,421**	4,014

16 Property, plant and equipment

	Machines and equipment KD'000	Vehicles KD'000	Furniture, fixtures and office equipment KD'000	2011 Total KD'000	2010 Total KD'000
Cost					
At 1 January	319	39	1,012	**1,370**	3,975
Additions	87	15	1,531	**1,633**	346
Disposals	(1)	(14)	-	**(15)**	(582)
Disposed as a result of loss of control of a subsidiary company and non consolidation	-	-	-	**-**	(2,369)
At 31 December	**405**	**40**	**2,543**	**2,988**	1,370
Accumulated depreciation					
At 1 January	163	16	540	**719**	871
Charge for the year	58	5	224	**287**	137
Relating to disposals	-	-	-	**-**	(1)
Relating to disposals as a result of loss of control of a subsidiary company and non consolidation	-	-	-	**-**	(288)
At 31 December	**221**	**21**	**764**	**1,006**	719
Net book value					
At 31 December	**184**	**19**	**1,779**	**1,982**	651

The group depreciates its property, plant and equipment using the following annual rates:

Machines and equipment	20% to 33.33%
Vehicles	20% to 25%
Furniture, fixtures and office equipment	5% to 33.33%

17 Accounts receivable and other debit balances

	2011 KD'000	2010 KD'000
Receivable from tenants	**1,810**	1,700
Staff receivable	**79**	117
Prepaid expenses	**319**	328
Due from related parties (Note 18)	**9,081**	14,867
Accrued income	**76**	32
Due from sale of investments in lands and real estate held for trading (Note 18)	**10,030**	-
Other debit balances	**1,339**	1,382
	22,734	18,426
Provision for doubtful debts	**(1,417)**	(1,334)
	21,317	17,092

18 Investments in lands and real estate held for trading

	2011 KD'000	2010 KD'000
At 1 January	**41,007**	53,978
Additions	**-**	819
Disposals	**(25,020)**	(13,790)
	15,987	41,007

During the year, the group sold some of the real estate plots, which the group has invested in for a trading purpose, at a sale value of KD26,713 thousand (2010: KD14,008 thousand), and these sale transactions have resulted in a net profit of KD1,693 thousand (2010: net profit of KD218 thousand). Included in these transactions, a part of these real estate plots was sold to foreign parties at the amount of KD10,030 thousand (2010: KD Nil) which was included in "Due from sale of investments in lands and real estate held for trading" (Note 17), and the amount of KD9,103 thousand (2010: KD14,008 thousand) which was included in "Due from related parties" (Note 17). The investments in lands and real estate held for trading include investments of amount KD10,546 thousand (2010: KD Nil) mortgaged against term loans (Note 21) and bank facilities (Note 22).

19 Treasury shares

At the date of the consolidated statement of financial position, the parent company owned 2,408,017 shares of the treasury shares (2010 : 1,868,017 shares) equivalent to 0.6% of the total shares of the issued share capital (2010 : 0.5%). The market value of these shares according to the last announced purchase price at the date of the consolidated statement of financial position was KD554 thousand (2010 : KD504 thousand).

20 Reserves

In accordance with the Commercial Companies Law of Kuwait, 10% of the profit for each year before contribution to KFAS, contribution to Zakat, provision for NLST and board of directors' remuneration is transferred to the legal reserve until such time that the balance of the legal reserve account equals 50% of the balance of the paid up share capital.

Distribution of the legal reserve is limited to the amount required to enable the payment of dividends of 5% of paid-up share capital to be made in years when retained earnings are insufficient for the payment of dividends of that amount.

20 Reserves (continued)

10% of the year's profit before contribution to KFAS, contribution to Zakat, provision for NLST and board of directors' remuneration is transferred to the voluntary reserve, and this transfer could be ceased based on the decision of the parent company's board of directors. Transfers to the voluntary reserve are made in accordance with the recommendation of the parent company's board of directors to the general assembly.

The amounts transferred to the legal and voluntary reserves during the year have been calculated as follows:

	2011 KD'000	2010 KD'000
Profit for the year	**5,450**	9,964
Deduct:		
Profit attributable to the non-controlling interests	**(1,626)**	(5,339)
Profit attributable to owners of the parent company	**3,824**	4,625
Add:		
Board of directors' remuneration of the parent company	**70**	70
Provision for National Labour Support Tax (NLST) of the parent company	**62**	71
Contribution to Zakat of the parent company	**4**	-
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) of the parent company	**-**	-
Profit attributable to owners of the parent company before contribution to KFAS, contribution to Zakat, provision for NLST and Board of directors' remuneration	**3,960**	4,766
Transferred to legal reserve (10%)	**396**	477
Transferred to voluntary reserve (10%)	**396**	477

21 Term loans

The term loans are due for repayment as follows:

	2011 KD'000	2010 KD'000
Within one year	**50,000**	55,000
From one to five years	**60,500**	67,000
	110,500	122,000

All the term loans are granted for the group by local banks. These loans are denominated in Kuwaiti Dinars with annual interest rate ranging between 2% to 2.5% (2010: 2% to 3%) over the discount rate announced by the Central Bank of Kuwait. The total amount of the instalments relating to the loans which are due to be repaid within twelve months from the date of the consolidated statement of financial position is shown as a current liability.

The loans granted to the group are against the mortgage of shares included in the item of available for sale investments with a fair value of KD75,879 thousand (2010: KD84,237 thousand) (Note 12) and mortgage of investment properties with net book value of KD49,750 thousand (2010: KD48,725 thousand) (Note 14), and mortgage of lands included in investment's in lands and real estate held for trading with value of KD10,546 thousand (2010: KD Nil) (Note 18).

22 Bank facilities

The bank facilities represent the balances of overdraft facilities which are granted to the group by local banks to finance the working capital and the real estate activities. They are completely repayable under demand with annual floating interest rate which is equal to current interest rate in market. The bank facilities are granted against mortgage of available for sale investments (Note 12), investment properties (Note 14) and investments in lands and real estate held for trading (Note 18).

23 Accounts payable and other credit balances

	2011 KD'000	2010 KD'000
Retentions for executed works	**115**	138
Income received in advance	**653**	644
Accrued leave and expenses	**2,694**	3,895
Due to related parties	**111**	820
Uncollected dividends to shareholders	**749**	249
Other credit balances	**5,783**	5,239
	10,105	10,985

24 Proposed appropriations

The board of directors of the parent company proposed to distribute cash dividends of 8% or 8 Kuwaiti Fils per share from the paid-up share capital, and this proposal is subject to the approval of the general assembly of shareholders and control authorities.

On 2 May 2011, the general assembly of shareholders approved the cash dividends of 10% or 10 Kuwaiti Fils per share from the paid-up share capital to the shareholders registered at that date as per records for the year ended 31 December 2010.

25 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following balances of the consolidated statement of financial position:

	2011 KD'000	2010 KD'000
Cash and bank balances	**2,741**	4,808
Short term deposits (due within 3 months)	**5,313**	7,593
	8,054	12,401

Short term deposits earn interest at annual rate of 1% (at a rate between 1% to 2% in 2010).

26 Segmental analysis

The trading activities of the group are principally carried out within the State of Kuwait. With the exception of participations in capital of companies located outside Kuwait (Note 12), all of the assets and liabilities are located inside Kuwait.

A segmental analysis of gross income, profit or loss for the year attributable to owners of the parent company, total assets, total liabilities, non-controlling interests and net assets employed by activity is as follows:

	Real estate KD'000	Investment KD'000	Total KD'000
Year ended at 31 December 2011			
Gross income	**8,021**	**9,538**	**17,559**
Profit for the year attributable to owners of the parent company	**214**	**3,610**	**3,824**
Total assets	**79,712**	**190,978**	**270,690**
Total liabilities	**(76,932)**	**(47,187)**	**(124,119)**
Non-controlling interests	**-**	**(46,953)**	**(46,953)**
Net assets employed	**2,780**	**96,838**	**99,618**

26 Segmental analysis (continued)

	Real estate KD'000	Investment KD'000	Total KD'000
Year ended at 31 December 2010			
Gross income	13,953	14,489	28,442
(Loss)/profit for the year attributable to owners of the parent company	(1,391)	6,016	4,625
Total assets	95,733	208,796	304,529
Total liabilities	(91,410)	(58,401)	(149,811)
Non-controlling interests	-	(50,125)	(50,125)
Net assets employed	4,323	100,270	104,593

27 Related party transactions

Included in the transactions carried out by the group during the year, there are certain transactions with related parties within the normal activities of the group involving shareholders who are represented in the board of directors, in addition to other major shareholders. These transactions were incorporated in the consolidated financial statements as follows:

	2011 KD'000	2010 KD'000
Consolidated statement of financial position		
Accounts receivable and other debit balances	**9,081**	14,867
Accounts payable and other credit balances	**111**	820
Cash at investment portfolios	**-**	20
Investments in lands and real estate held for trading	**2,607**	-
Consolidated statement of income		
Profit from sale of shares in associated companies	**-**	3,329
Management fees income and consultancies	**515**	158
General and administrative expenses (top management salaries and remunerations)	**546**	536
Operational expenses	**498**	454
Other income	**433**	263
Contra accounts – off consolidated statement of financial position items		
Net book value of customers' portfolios (major shareholders)	**36,471**	52,384

28 Contingent liabilities

At the date of the consolidated statement of financial position, the parent company had commitments against outstanding letters of guarantee issued to third parties of KD2,129 thousand (2010: KD5,025 thousand).

29 Contra accounts – off consolidated statement of financial position items

One of the subsidiary companies [Tamdeen Investment Co. – KSC (Closed)] manages investment portfolios for third parties which had a net book value of KD157,830 thousand at 31 December 2011 (2010: KD254,415 thousand). These balances are not included in the consolidated statement of financial position.

30 Financial assets and liabilities

30.1 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 are categorized as follows:

	2011 KD'000	2010 KD'000
Financial assets		
Cash and cash equivalents	**8,054**	12,401
Investments at fair value through profit or loss	**757**	812
Accounts receivable and other debit balances	**21,317**	17,092
Available for sale investments	**97,358**	104,759
	127,486	135,064
Financial liabilities		
Accounts payable and other credit balances	**10,105**	10,985
Term loans	**60,500**	67,000
Current portion of term loans	**50,000**	55,000
Bank facilities	**1,811**	15,168
	122,416	148,153

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the parent company's management, the carrying amounts of financial assets and liabilities as at 31 December 2011 and 2010 approximate their fair values.

30.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

The level within which the financial assets are classified is determined based on the lowest level of significant inputs which lead to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position according to the fair value hierarchy are as follows:

31 December 2011	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Assets at fair value				
Investments at fair value through profit or loss:				
- Managed portfolios	757	-	-	757
Available for sale investments:				
- Unquoted shares	-	7,839	40	7,879
- Quoted local shares	4,424	-	-	4,424
- Foreign shares	78,217	6,838	-	85,055
	83,398	14,677	40	98,115

30 Financial assets and liabilities (continued)

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

31 December 2010	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Assets at fair value				
Investments at fair value through profit or loss:				
- Managed portfolios	812	-	-	812
Available for sale investments:				
- Unquoted shares	-	5,477	40	5,517
- Quoted local shares	4,171	-	-	4,171
- Foreign shares	86,168	8,903	-	95,071
	91,151	14,380	40	105,571

Measurement at fair value

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

a) Quoted shares

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

b) Managed portfolios

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

c) Unquoted shares

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

31 Risk management objectives and policies

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

The parent company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management is carried out by investment management and audit committee and focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports. Long term financial investments are managed to generate lasting returns.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed to are as follows:

31.1 Market risk

a) Foreign currency risk

The group mainly operates in the Kuwait, GCC and other Middle Eastern countries, and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Qatari Riyal and Bahraini Dinar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

a) Foreign currency risk (continued)

To mitigate the group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimize fluctuations and enter into forward foreign exchange contracts, if needed, in accordance with the group's risks management polices. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign exchange contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	2011 KD'000	2010 KD'000
US Dollar	85,268	102,296
Bahraini Dinar	3,907	5,098

The foreign currency sensitivity is determined on the following assumptions:

	Exchange rate sensitivity %	
	2011	2010
US Dollar	5	5
Bahraini Dinar	5	5

The above percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity with all other variables being constant then this would have the following impact on the profit for the year and equity:

	Profit for the year		Equity	
	2011 KD'000	2010 KD'000	2011 KD'000	2010 KD'000
US Dollar	1	3	4,264	5,115
Bahraini Dinar	-	-	196	255
	1	3	4,460	5,370

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity with all other variables being constant then this would have the following impact on the profit for the year and equity:

	Profit for the year		Equity	
	2011 KD'000	2010 KD'000	2011 KD'000	2010 KD'000
US Dollar	(1)	(3)	(4,264)	(5,115)
Bahraini Dinar	-	-	(196)	(255)
	(1)	(3)	(4,460)	(5,370)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

a) Foreign currency risk (continued)

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

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to its short term deposits and its borrowings. The borrowings mainly represent short and long term borrowings and bear fixed or variable rates of interest. The management has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a regular basis and hedging strategies maybe used to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of monetary financial instruments is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2011 and 2010 was as follows:

	1-3 months KD'000	3-12 months KD'000	Over 1 year KD'000	Not exposed to interest rate risk KD'000	Total KD'000	Effective interest rate %
At 31 December 2011						
ASSETS						
Cash and bank balances	-	-	-	2,741	2,741	-
Short term deposits	-	5,313	-	-	5,313	1
Investments at fair value through profit or loss	-	-	-	757	757	-
Accounts receivable and other debit balances	-	-	-	21,317	21,317	-
Investments in lands and real estate held for trading	-	-	-	15,987	15,987	-
Available for sale investments	-	-	-	97,358	97,358	-
Investments in associated companies	-	-	-	71,064	71,064	-
Investment properties	-	-	-	49,750	49,750	-
Projects in progress	-	-	-	4,421	4,421	-
Property, plant and equipment	-	-	-	1,982	1,982	-
Total assets	-	5,313	-	265,377	270,690	
LIABILITIES						
Bank facilities	-	1,811	-	-	1,811	4.5-5
Accounts payable and other credit balances	-	-	-	10,105	10,105	-
Current portion of term loans	-	50,000	-	-	50,000	4.5-5
Term loans	-	-	60,500	-	60,500	4.25 - 5.5
Refundable rental deposits	-	-	-	1,144	1,144	-
Provision for end of service indemnity	-	-	-	559	559	-
Total liabilities	-	51,811	60,500	11,808	124,119	

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

b) Interest rate risk (continued)

	1-3 months KD'000	3-12 months KD'000	Over 1 year KD'000	Not exposed to interest rate risk KD'000	Total KD'000	Effective interest rate %
At 31 December 2010						
ASSETS						
Cash and bank balances	-	-	-	4,808	4,808	-
Short term deposits	-	7,593	-	-	7,593	1-2
Investments at fair value through profit or loss	-	-	-	812	812	-
Accounts receivable and other debit balances	-	-	-	17,092	17,092	-
Investments in lands and real estate held for trading	-	-	-	41,007	41,007	-
Available for sale investments	-	-	-	104,759	104,759	-
Investments in associated companies	-	-	-	75,068	75,068	-
Investment properties	-	-	-	48,725	48,725	-
Projects in progress	-	-	-	4,014	4,014	-
Property, plant and equipment	-	-	-	651	651	-
Total assets	-	7,593	-	296,936	304,529	
LIABILITIES						
Bank facilities	-	15,168	-	-	15,168	5.2
Accounts payable and other credit balances	-	-	-	10,985	10,985	-
Current portion of term loans	-	55,000	-	-	55,000	5-6
Term loans	-	-	67,000	-	67,000	5.5 - 6.75
Refundable rental deposits	-	-	-	1,185	1,185	-
Provision for end of service indemnity	-	-	-	473	473	-
Total liabilities	-	70,168	67,000	12,643	149,811	

The following table illustrates the sensitivity of the profit for the year and equity to a reasonably possible change in interest rates of +5% and - 5% (2010: +5 % and - 5%) retrospectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments exposed to interest rate risk held at the date of the consolidated statement of financial position. All other variables are held constant. There has been no change during this year in the methods and assumptions used in preparing the sensitivity analysis.

	2011		2010	
	+ 5 % KD'000	**- 5 % KD'000**	+ 5 % KD'000	- 5 % KD'000
Profit for the year	**(324)**	**324**	(513)	513
Equity	**(324)**	**324**	(513)	513

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) and available for sale securities. The group's investments are listed on the Kuwait Stock Exchange and other Gulf markets.

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 set by the group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the date of the consolidated financial statements. There has been no changes in the methods and assumptions used in the preparation of the sensitivity analysis.

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

c) Price risk (continued)

If equity prices had been 5% higher/lower, the effect on the profit for the year and equity for the year ended 31 December would have been as follows:

	Profit for the year		Equity	
	2011 KD'000	2010 KD'000	**2011 KD'000**	2010 KD'000
Market Stock Exchange index + 5%	**38**	41	**4,129**	4,517
Market Stock Exchange index – 5%	**(38)**	(41)	**(4,129)**	(4,517)

31.2 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's 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. It also obtains collateral security when appropriate.

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

	2011 KD'000	2010 KD'000
Investments at fair value through profit or loss	**757**	812
Available for sale investments	**97,358**	104,759
Cash and cash equivalents	**8,054**	12,401
Accounts receivable and other debit balances	**21,317**	17,092
	127,486	135,064

31.3 Concentration of assets

The distribution of assets by geographic region was as follows:

At 31 December 2011	**Kuwait KD'000**	**Other middle eastern countries KD'000**	**Total KD'000**
Geographic region:			
Cash and bank balances	2,741	-	2,741
Short term deposits	5,313	-	5,313
Investments at fair value through profit or loss	757	-	757
Accounts receivable and other debit balances	21,308	9	21,317
Investments in lands and real estate held for trading	15,987	-	15,987
Available for sale investments	12,303	85,055	97,358
Investments in associated companies	61,024	10,040	71,064
Investment properties	49,750	-	49,750
Projects in progress	3,079	1,342	4,421
Property, plant and equipment	1,982	-	1,982
	174,244	96,446	270,690

31 Risk management objectives and policies (continued)

31.3 Concentration of assets (continued)

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
At 31 December 2010			
Geographic region:			
Cash and bank balances	4,808	-	4,808
Short term deposits	7,593	-	7,593
Investments at fair value through profit or loss	812	-	812
Accounts receivable and other debit balances	17,088	4	17,092
Investments in lands and real estate held for trading	41,007	-	41,007
Available for sale investments	9,688	95,071	104,759
Investments in associated companies	64,605	10,463	75,068
Investment properties	48,725	-	48,725
Projects in progress	2,764	1,250	4,014
Property, plant and equipment	651	-	651
	197,741	106,788	304,529

31.4 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, the group's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the group's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period from the date of the consolidated statement of financial position to the contractual maturity date. Maturity periods for investments at fair value through profit or loss and available for sale investments are based on planned and exact dates.

The maturity profile of the assets and liabilities at 31 December 2011 and 2010 are as follows:

	1-3 months KD'000	3-12 months KD'000	1-3 years KD'000	Over 3 years KD'000	Total KD'000
At 31 December 2011					
ASSETS					
Cash and bank balances	2,741	-	-	-	2,741
Short term deposits	-	5,313	-	-	5,313
Investments at fair value through profit or loss	-	757	-	-	757
Accounts receivable and other debit balances	-	21,317	-	-	21,317
Investments in lands and real estate held for trading	-	15,987	-	-	15,987
Available for sale investments	-	-	-	97,358	97,358
Investments in associated companies	-	-	-	71,064	71,064
Investment properties	-	-	-	49,750	49,750
Projects in progress	-	-	-	4,421	4,421
Property, plant and equipment	-	-	-	1,982	1,982
Total assets	2,741	43,374	-	224,575	270,690
LIABILITIES					
Bank facilities	-	1,811	-	-	1,811
Accounts payable and other credit balances	2,190	3,189	3,209	1,517	10,105
Current portion of term loans	-	50,000	-	-	50,000
Term loans	-	-	-	60,500	60,500
Refundable rental deposits	-	-	-	1,144	1,144
Provision for end of service indemnity	-	-	-	559	559
Total liabilities	2,190	55,000	3,209	63,720	124,119

31 Risk management objectives and policies (continued)

31.4 Liquidity risk (continued)

	1-3 months KD'000	3-12 months KD'000	1-3 years KD'000	Over 3 years KD'000	Total KD'000
At 31 December 2010					
ASSETS					
Cash and bank balances	4,808	-	-	-	4,808
Short term deposits	-	7,593	-	-	7,593
Investments at fair value through profit or loss	-	812	-	-	812
Accounts receivable and other debit balances	450	16,642	-	-	17,092
Investments in lands and real estate held for trading	-	41,007	-	-	41,007
Available for sale investments	-	-	-	104,759	104,759
Investments in associated companies	-	-	-	75,068	75,068
Investment properties	-	-	-	48,725	48,725
Projects in progress	-	-	-	4,014	4,014
Property, plant and equipment	-	-	-	651	651
Total assets	5,258	66,054	-	233,217	304,529
LIABILITIES					
Bank facilities	-	15,168	-	-	15,168
Accounts payable and other credit balances	3,629	3,036	4,144	176	10,985
Current portion of term loans	-	55,000	-	-	55,000
Term loans	-	-	67,000	-	67,000
Refundable rental deposits	-	-	-	1,185	1,185
Provision for end of service indemnity	-	-	-	473	473
Total liabilities	3,629	73,204	71,144	1,834	149,811

32 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

	2011 KD'000	2010 KD'000
Bank facilities	**1,811**	15,168
Term loans	**60,500**	67,000
Current portion of term loans	**50,000**	55,000
Less: Cash and cash equivalents	**(8,054)**	(12,401)
Net debt	**104,257**	124,767
Equity attributable to owners of the parent company	**99,618**	104,593
Non-controlling interests	**46,953**	50,125
Total capital	**250,828**	279,485

32 Capital management objectives (continued)

The group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as net debt divided by total capital as follows:

	2011 KD'000	2010 KD'000
Net debt	**104,257**	124,767
Total capital	**250,828**	279,485
Gearing ratio	**42%**	45%

33 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including equity, net profit and cash and cash equivalents.