الشـركة الخليجيـة المغاربيـة القابضـة

Gulf North Africa Holding Company

Annual Report

2011

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بسم الله الرحمن الرحيم

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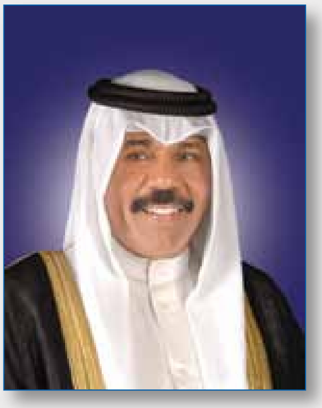


H.H. Sheikh
Nawaf Al-Ahmed Al-Jaber Al-Sabah
Crown Prince of The State of Kuwait

H.H. Sheikh
Sabah Al-Ahmed Al-Jaber Al-Sabah
Amir of The State of Kuwait

Board Directors

Talal Jasim Al-Kharafi
Chairman & Managing Director

Dr. Foad Abdullah Al-Omar
Vice-Chairman & Head of
Executive Committee

Saud Al-Osaimi
Member

Abdulrahman Hisham Al-Nissf
Member

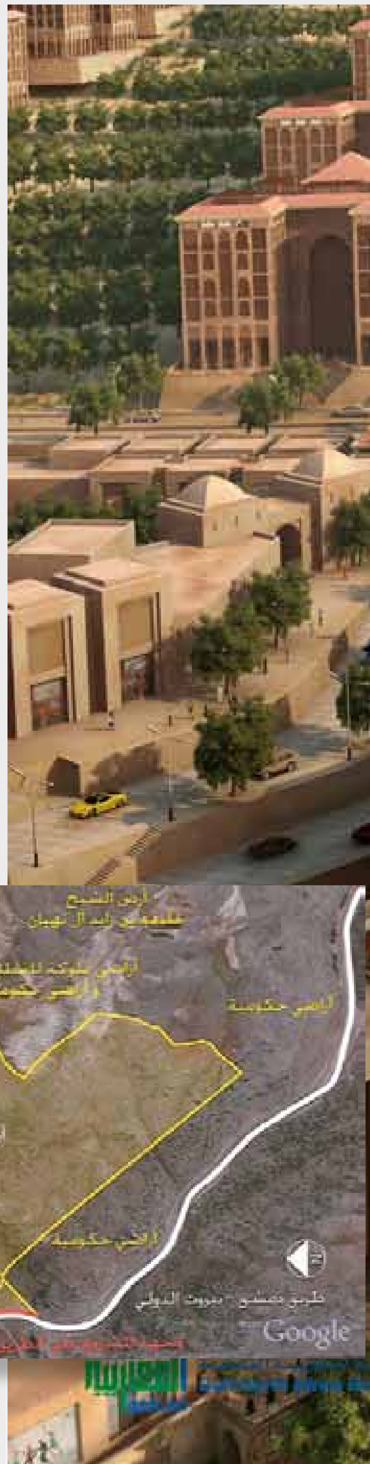
Ahmed Eissa Al-Dosarri
Member

Shaya Al-Shaya
Member

Chairman's Message

Current Projects

Casablanca Project in Syria



The project will be constructed on an area of approximately 1,42,3437 square meters; the land is located at Yabous- 13 region, 38 kilometer west of the capital Damascus, and less than 2 kilometer from the Lebanese border.

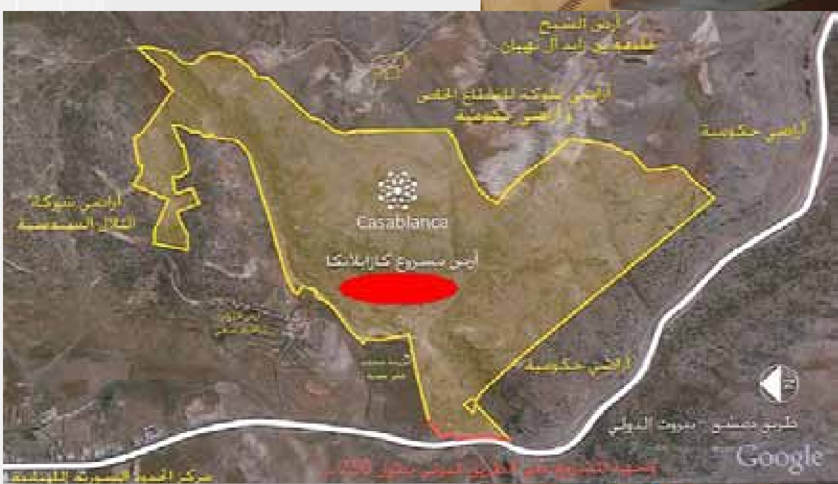
The land covers several high hills and extends on one side to reach the international highway that connects the capital Damascus with Beirut, also the land of the land of the project is overlooking the chain mountain of Lebanon which includes the mountain of Sneen and the mountain of Al Harmoon, which rises above the sea level by 1,200 meter, giving the area the nice beautiful weather all the year around.

The project is in close proximity of the expansion of the upscale housing area of, Ya-afour, Al-Assad's villages, and nearby the tourist destination area of Blodan, Alzabadani, Wadi, WaBarada, Waser Ghaia, and Baqeen…etc.

The stage one plane of the project is to sub divide the land to several smaller area and to construct the required infrastructure to include the latest services and technology.

Part of the project will be sold for residential housing, and the other will be for commercial buildings, public services buildings, and the other part will be sold to local and international developers.

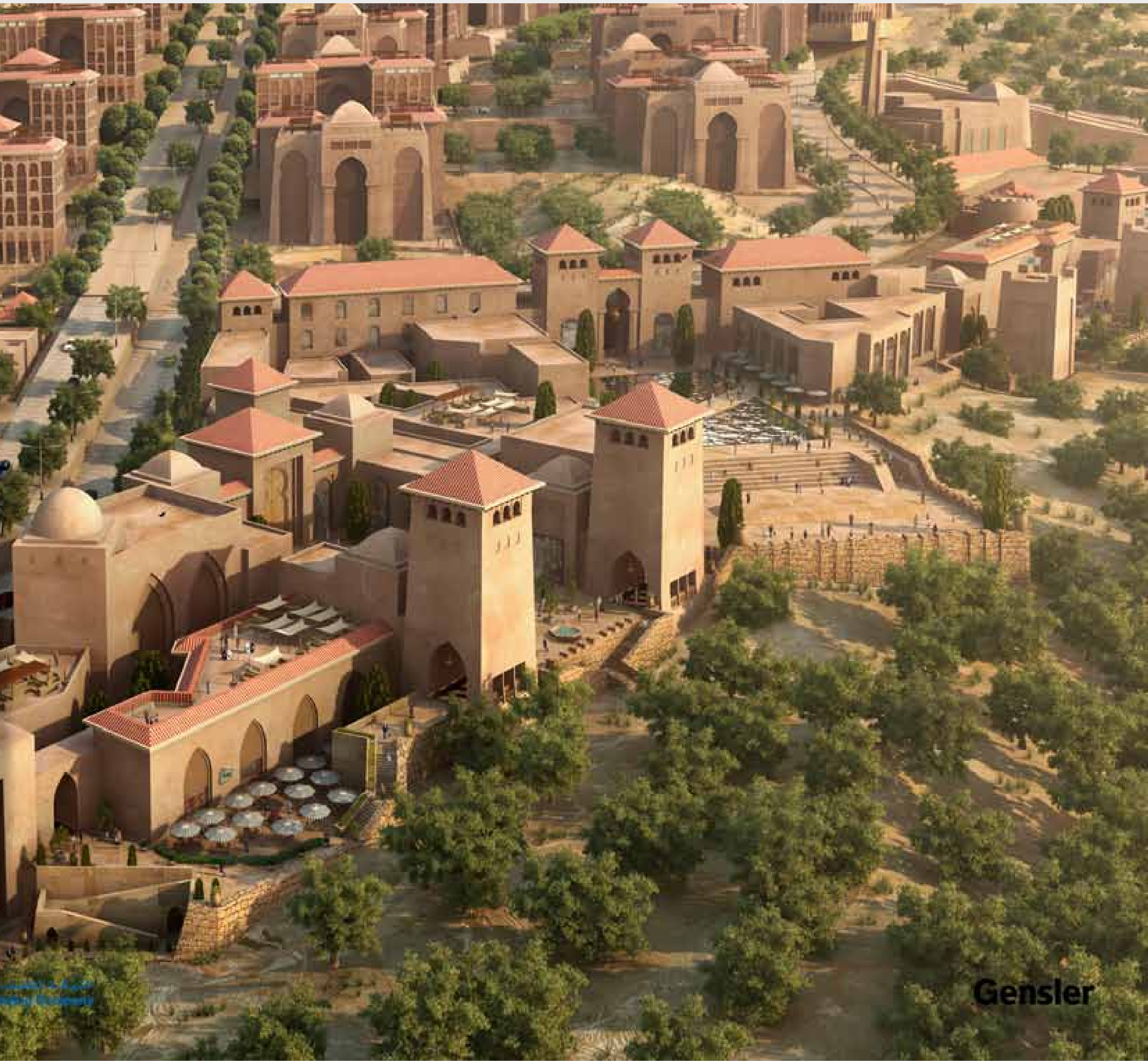
The project will be include residential villas, apartments building, high rise buildings, sports clubs, swimming pools, public parks, car parks, maintenance facilities, and securities around the clock.



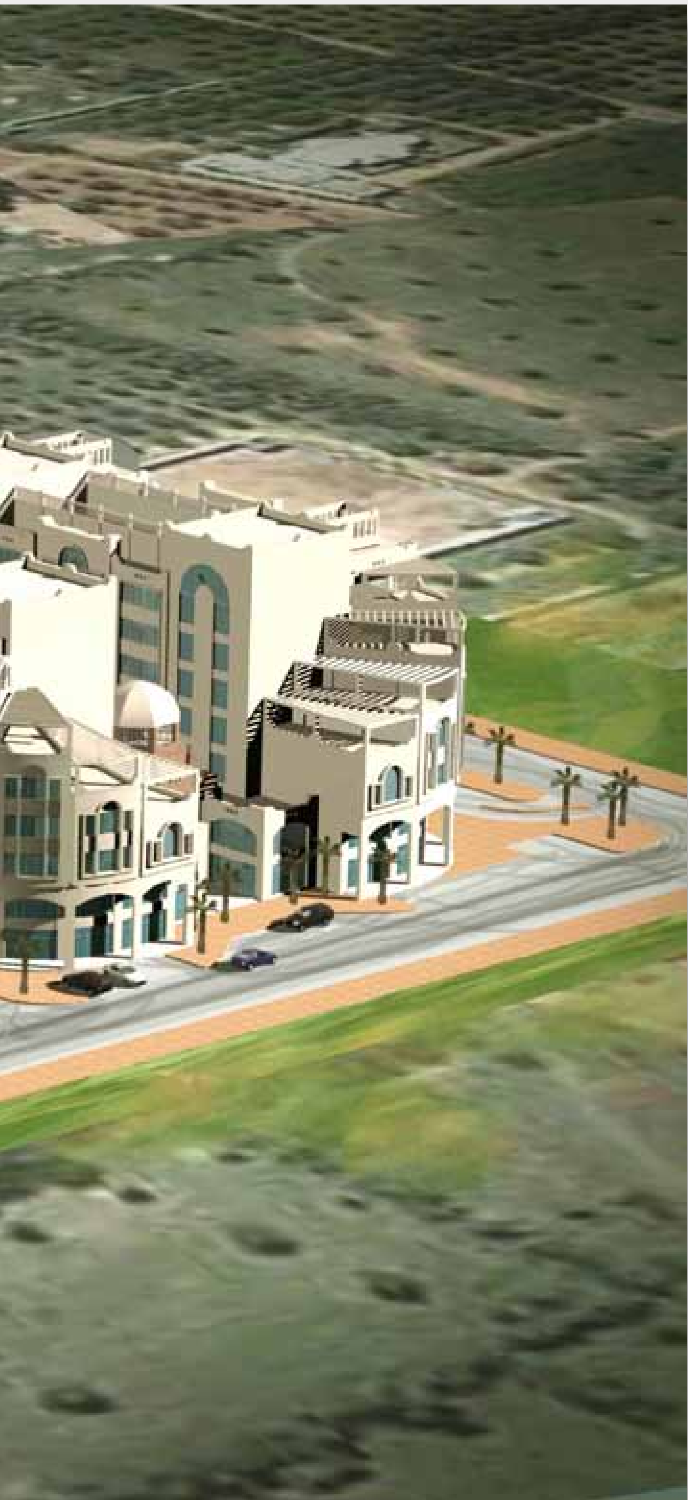
Public serves facilities will include shopping malls, shopping centers, Banks, public offices, clinics… etc.

The company taking advantage of the special location of the project, in this mountain area to create a unique facilities that will attract the local, and the abroad tourists to the area.

The company has completed the concept design in cooperation with Gensler consultancy, and the marketing of the project has been started with the prospect of an investors that desire to buy the land or to inter as partner.


Gensler

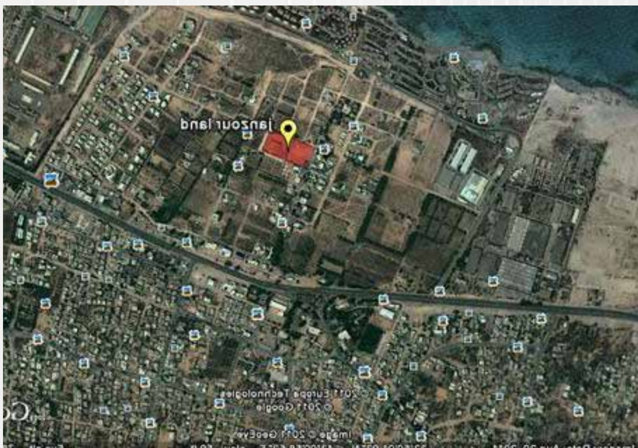
Janzour Project In Tripoli Libya



The Project is located in the town of Janzour west of the capital Tripoli by 15 kilo meter, the expansion of the capital in the last few years has a very positive effect on the real estate market of Janzour due to its close proximity from the capital Tripoli, the office of the Libyan urban planning and development authority has been working with the assistance of several foreign consultant offices to develop this area to become one of the upscale area of Tripoli.

The total area of the project is 17 500 square meters, the project comprises of two identical seven floors high towers, each building will include privet parking area, commercial area, business offices, and residential apartments, the project will includes public leisure area.

Each building will have 24 hours complete security services.

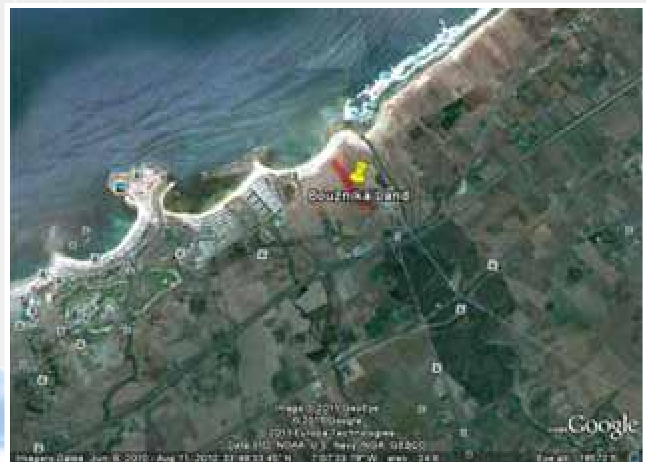


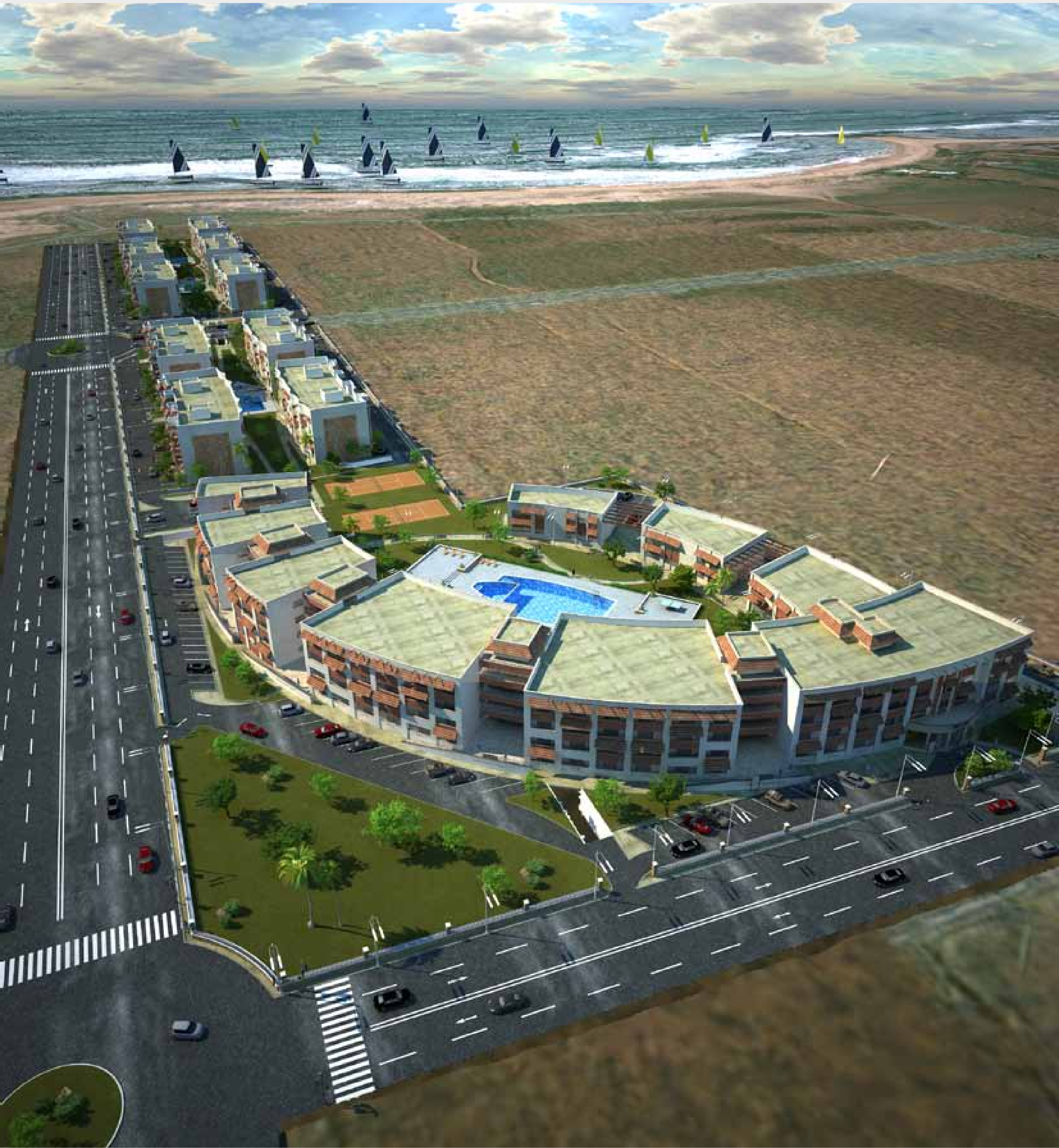
Dream Project

The project is strategically located with direct access to the Mediterranean Sea, while lying on a total land area of 61,860 square meters in the area of Bouznika, which lies between Casablanca and Rabat on the highway interlinking the two cities. The location is considered ideal for tourism in Morocco. The total project cost is around USD 60 million.

The project components consist of several buildings which include residential apartments, hotel apartments, a hotel, a sports center, tennis courts, swimming pools, and plenty of green areas. The project provides the perfect sanctuary for end users as it will be a gated community with around the clock security.

The design is being currently reviewed with Gensler, with the commitment to invite strategic investors to start the works on development.





Shari`a Report

Kuwait 16/02/2012

Dear Gulf North Africa Holding Company Shareholders

Peace and prayer be Upon Our Prophet Mohammad and His Companions

Subject: The Islamic Legal Report of the Gulf North Africa Holding Co.

I have perused the used principles and contracts related to the transactions and applications suggested by the Gulf North Africa Holding Co. for the financial year ended in 31 December 2011, and I have undertaken the necessary review in order to give my opinion about whether the company's activities complied with the provisions and principles of the Islamic Sharia. I have also looked at the given financial statements for the current year.

In my opinion, The transactions made by the company until 31/12/2011 complied with the provisions and principles of the Islamic Sharia, and the consultations in which the company invested also comply with the provisions of the Islamic Sharia.

Being that it is not provided for by the company's Article of Association to set aside Alms (Zakat) of its shares, it is however imposed on the owners.

Zakat for the annual year 2011 has come up to 1 fils per share.

We would like to cease the opportunity to express our gratefulness and appreciation for the company's administration for observing the application of the appropriate legal dealing and for all the contributors and those who deal with the company, asking Allah to bless your efforts in serving the Islamic Economy in a way that is for everybody's sake.

Allah's Peace and Mercy be upon you.

A. D. Abdel Aziz Khalifa Al Kassar

Shari`a Consultant of the Gulf North Africa Holding Co.

Affliate Companies

Gulf North Africa Holding Company has established several companies, which continually help in carrying its businesses. These companies include:

Libyan General Trading Company

Al-Sham Gulf Holding Co.

Al-Sham Gulf Co. Limited

North Africa Study & Consulting Co.

Moroccon North Africa Holding Co.

Al-Janzour General Trading Co.

Al-Awras Gulf

Dream Building Co.

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Gulf North Africa Holding Co. K.S.C. (Closed)
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Consolidated Financial Statements and Independent Auditor's Report

For the year ended 31 December 2011

Independent auditors' report

To the shareholders of
Gulf North Africa Holding Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf North Africa Holding 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 Gulf North Africa Holding 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 Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960 and by the Parent 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 Parent Company.

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

Rabea Saad Al-Muhanna
(Licence No. 152-A)
of Horwath Al-Muhanna & Co.

Kuwait 14 February 2012

Consolidated statement of income

	Notes	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Revenue			
Placement and management fees	8	111,000	463,306
Murabaha income		-	18,501
Loss on sale of investments at fair value through statement of income		-	(2,696)
Change in fair value of investments at fair value through statement of income		(14,005)	(12,586)
(Loss)/gain on sale/redemption of available for sale investments		(8,308)	1,638
Share of results of associate	13	(26,472)	(25,140)
Profit from available for sale investments		69,431	-
Dividend income		115,117	132,391
Foreign exchange (loss)/gain		(10,485)	278,533
Other income		64,974	62,098
		301,252	916,045
Expenses and other charges			
General and administrative expenses	9	(444,735)	(592,199)
Depreciation		(16,732)	(17,854)
Impairment of available for sale investments	12	(2,294,222)	-
		(2,755,689)	(610,053)
(Loss)/profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and directors' remuneration		(2,454,437)	305,992
Provision for contribution to KFAS		-	(2,754)
Provision for NLST		-	(7,650)
Provision for Zakat		-	(3,177)
Directors' remuneration		-	(7,000)
(Loss)/profit for the year		(2,454,437)	285,411
Basic and diluted (loss)/earnings per share	10	(16.86) Fils	1.92 Fils

The notes set out on pages 9 to 30 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
(Loss)/profit for the year	(2,454,437)	285,411
Other comprehensive income:		
Available for sale investments:		
- Net change in fair value of investments	(1,738,116)	(620,473)
- Transferred to consolidated statement of income on impairment	2,294,222	-
Exchange differences arising on translation of foreign operations	(219,138)	38,231
Other comprehensive income/(loss) for the year	336,968	(582,242)
Total comprehensive loss for the year	(2,117,469)	(296,831)

The notes set out on pages 9 to 30 form an integral part of the consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2011 KD	31 Dec. 2010 KD
Assets			
Non-current assets			
Equipment	11	35,578	52,280
Available for sale investments	12	9,314,528	8,841,925
Investment in associate	13	1,029,668	1,056,140
		10,379,774	9,950,345
Current assets			
Due from related parties	22	1,424,538	2,033,365
Accounts receivable and other assets	14	117,345	108,244
Investments at fair value through statement of income	15	85,635	221,866
Cash and cash equivalents	16	4,012,950	6,864,596
		5,640,468	9,228,071
Total assets		16,020,242	19,178,416
Equity and liabilities			
Equity			
Share capital	17	15,000,000	15,000,000
Treasury shares	18	(336,659)	(287,750)
Statutory reserve	19	751,821	751,821
Voluntary reserve	19	751,821	751,821
Treasury shares reserve		-	270
Foreign currency translation reserve		(179,673)	39,465
Fair value reserve		(114,648)	(670,754)
(Accumulated losses)/retained earnings		(39,422)	3,142,916
Total equity		15,833,240	18,727,789
Liabilities			
Non-current liabilities			
Provision for employee end of service indemnity		38,659	60,452
Current liabilities			
Due to related parties	22	2,136	247,387
Accounts payable and other liabilities	20	146,207	142,788
Total liabilities		187,002	450,627
Total equity and liabilities		16,020,242	19,178,416

Mr. Talal Jasem Mohammed Al-Khorafi
Chairman

Dr. Fouad Abdulla A Omar
Vice Chairman

The notes set out on pages 9 to 30 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Treasury shares reserve	Foreign currency translation reserve	Fair value reserve	Retained earnings/ (accumulated losses)	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2010	15,000,000	(287,750)	751,821	751,821	270	39,465	(670,754)	3,142,916	18,727,789
Purchase of treasury shares	-	(54,960)	-	-	-	-	-	-	(54,960)
Sale of treasury shares	-	6,051	-	-	(270)	-	-	(101)	5,680
Dividend (Note 21)	-	-	-	-	-	-	-	(727,800)	(727,800)
Transactions with owners	-	(48,909)	-	-	(270)	-	-	(727,901)	(777,080)
Loss for the year	-	-	-	-	-	-	-	(2,454,437)	(2,454,437)
Other comprehensive income:									
Available for sale investments:									
- Net change in fair value of investments	-	-	-	-	-	-	(1,738,116)	-	(1,738,116)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	2,294,222	-	2,294,222
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(219,138)	-	-	(219,138)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(219,138)	556,106	(2,454,437)	(2,117,469)
Balance at 31 December 2011	15,000,000	(336,659)	751,821	751,821	-	(179,673)	(114,648)	(39,422)	15,833,240

The notes set out on pages 9 to 30 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
OPERATING ACTIVITIES			
(Loss)/profit for the year		(2,454,437)	285,411
Adjustments for:			
Depreciation		16,732	17,854
Dividend income		(115,117)	(132,391)
Loss/(gain) on sale/redemption of available for sale investments		8,308	(1,638)
Loss on disposal of equipment		158	65
Impairment of available for sale investments		2,294,222	-
Share of results of associate		26,472	25,140
Provision for employee end of service indemnity		8,964	12,891
		(214,698)	207,332
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		136,231	61,654
Due from related parties		(100,765)	(129,605)
Accounts receivable and other assets		(9,101)	(9,922)
Due to related parties		(245,251)	(78,546)
Accounts payable and other liabilities		(71,140)	(197,573)
Cash used in operations		(504,724)	(146,660)
Employee end of service indemnity paid		(30,757)	(1,215)
Net cash used in operating activities		(535,481)	(147,875)
INVESTING ACTIVITIES			
Proceeds from sale/redemption of available for sale investments		664,656	1,973,800
Purchase of available for sale investments		(2,174,091)	-
Purchase of equipment		(290)	(4,760)
Proceeds from disposal of equipment		75	4
Dividend income received		115,117	132,391
Net proceeds from liquidation of unconsolidated subsidiary		-	13,104
Net cash (used in)/from investing activities		(1,394,533)	2,114,539
FINANCING ACTIVITIES			
Dividend paid		(653,241)	-
Purchase of treasury shares		(54,960)	(438,320)
Sale of treasury shares		5,680	150,840
Net cash used in financing activities		(702,521)	(287,480)
Net impact of foreign currency translation adjustments		(219,111)	38,222
(Decrease)/increase in cash and cash equivalents		(2,851,646)	1,717,406
Cash and cash equivalents at the beginning of the year		6,864,596	5,147,190
Cash and cash equivalents at the end of the year	16	4,012,950	6,864,596
Non-cash transaction:			
Purchase of available for sale investments		(709,592)	-
Due from related party	22	709,592	-

Notes to the consolidated financial statements

31 December 2011

1. Incorporation and activities

Gulf North Africa Holding Co. - K.S.C (Closed) ("the Parent Company") is a Kuwaiti closed shareholding company incorporated on 3 December 2005. The General Assembly meeting for establishment of the Parent Company was held at the Ministry of Commerce and Industry on 14 December 2005. The Parent Company's shares were listed on the Kuwait Stock Exchange on 23 March 2011.

The Group comprises the Parent Company and its subsidiaries ("the Group"). The main activities of the Group are owning and investing in other companies, providing loans and advances to those companies, holding trademarks, licenses or other rights, owning necessary properties and other assets incidental to activities of the Group and investing in portfolios.

In all cases the Parent Company is governed in all its activities by Islamic Sharia'a and all activities which are in compliance of Islamic Sharia'a board are obligatory to the Parent Company.

The address of the Parent Company's registered office is PO Box 4425, Safat 13045, State of Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2011 were authorised for issue by the Parent Company's board of directors on 14 February 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 statement of income and financial assets available for sale that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the parent company.

The Group has elected to present the "statement of comprehensive income" in two statements: the "statement of income" and a "statement of comprehensive income".

3. Statement of compliance

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

Notes to the consolidated financial statements

31 December 2011

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 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 but its adoption had no impact on the presentation of these financial statements.

4.2 IASB Standards issued but not yet effective

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

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

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

Notes to the consolidated financial statements
31 December 2011

4. Changes in accounting policies (continued)

4.2.1 IAS 1 Presentation of Financial Statements

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

a. Potentially reclassifiable to consolidated statement of income in a subsequent period, and

b. That will not be reclassified to consolidated statement of income subsequently.

The Group will change the current presentation of the consolidated statement of comprehensive income when the amendment becomes effective.

4.2.2 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.

4.2.3 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.

4.2.4 IFRS 7 Financial Instruments: Disclosures

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

4.2.5 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety, with the replacement standard to be effective for annual periods beginning 1 January 2015. IFRS 9 is being issued in Phases and to date Phase 1 has been issued. 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.

Notes to the consolidated financial statements

31 December 2011

4. Changes in accounting policies (continued)

4.2.6 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.

4.2.7 IFRS 13 Fair Value Measurement

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The 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

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries (see note 7). 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.

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

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

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

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 statement of income.

Notes to the consolidated financial statements

31 December 2011

5 Significant accounting policies (continued)

5.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. Revenue arises from the rendering of the services and it is measured by reference to fair value of consideration received or receivable. The Group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.2.1 Placement and management fees

Placement and management fees is recognised in proportion to the stage of completion of the transaction at reporting date.

5.2.2 Dividend income

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

5.3 Operating expenses

Operating expenses are recognised in consolidated statement of income upon utilisation of the service or at the date of their origin.

5.4 Taxation

5.4.1 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.

5.4.2 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.

5.4.3 Zakat

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

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

Notes to the consolidated financial statements

31 December 2011

5 Significant accounting policies (continued)

5.4 Taxation (continued)

5.4.4 Taxation on overseas subsidiaries

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

5.5 Segment reporting

The Group has two operating segments: local and international 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 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 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 consolidated statement of income.

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 (ie gain on a bargain purchase) is recognised in consolidated statement of income immediately.

Notes to the consolidated financial statements
31 December 2011

5 Significant accounting policies (continued)

5.7 Equipment

Equipment (comprising furniture and fixtures and computers) 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.

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 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 and equipment. The following useful lives are applied:

- Furniture and fixtures: 5 years
- Computers: 2 - 5 years

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 statement of income.

5.8 Investment in associates

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

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

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

The 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 statement of income.

Notes to the consolidated financial statements

31 December 2011

5 Significant accounting policies (continued)

5.9 Financial instruments

5.9.1 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 statement of income which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either.

a. the Group has transferred substantially all the risks and rewards of the asset or

b. the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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 statement of income.

5.9.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through statement of income (FVTSI)
- available-for-sale (AFS) financial assets.

Notes to the consolidated financial statements

31 December 2011

5 Significant accounting policies (continued)

5.9 Financial instruments (continued)

5.9.2 Classification and subsequent measurement of financial assets (continued)

All financial assets except for those at FVTSI 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 consolidated statement of income are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

- Loans and receivables

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

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

The Group categorises loans and receivables into following categories:

- 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 and bank balances, together with saving accounts that are readily convertible into know amounts of cash which are subject to an insignificant risk of changes in value.

- **Financial assets at FVTSI**

Classification of investments as financial assets at FVTSI 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 FVTSI 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.

Notes to the consolidated financial statements

31 December 2011

5 Significant accounting policies (continued)

5.9 Financial instruments (continued)

5.9.2 Classification and subsequent measurement of financial assets (continued)

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of income. 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.

- **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 consolidated statement of income. 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 consolidated statement of income. 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 consolidated statement of income and presented as a reclassification adjustment within other comprehensive income.

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

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

5.9.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and other payables.

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

- *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.

Notes to the consolidated financial statements

31 December 2011

5 Significant accounting policies (continued)

5.10 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.

5.11 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.

5.12 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25.

5.13 Impairment testing of non financial assets

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.

Notes to the consolidated financial statements

31 December 2011

5 Significant accounting policies (continued)

5.14 Equity, reserves and dividend payments

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

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 Kuwaiti Dinars.
- Fair value reserve – comprises gains and losses relating to available for sale financial assets.
- Treasury shares reserve – comprises gain and losses resulting from sale of treasury shares.

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

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

5.15 Treasury shares

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

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.

5.16 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.

Notes to the consolidated financial statements

31 December 2011

5 Significant accounting policies (continued)

5.17 Foreign currency translation

5.17.1 Functional and presentation currency

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

5.17.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of income. 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.

5.17.3 Foreign operations

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

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

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.

Notes to the consolidated financial statements
31 December 2011

5 Significant accounting policies (continued)

5.18 Provisions, contingent assets and contingent liabilities

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.

6. Critical accounting judgements and key sources of estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

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 statement of income 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 consolidated statement of income in the management accounts, they are classified as fair value through statement of income.

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

All other financial assets are classified as available for sale.

6.1.2. 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.

Notes to the consolidated financial statements

31 December 2011

6 Critical accounting judgements and key sources of estimation uncertainty (continued)

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 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.

6.2.2 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.

6.2.3 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.

6.2.4 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.

6.2.5 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 25).

Notes to the consolidated financial statements
31 December 2011

7. Subsidiary companies

Details of subsidiary companies are set out below:

	Country of incorporation	Voting capital held 2011	Voting capital held 2010	Activities
Morocco North Africa Holding Company Ltd.	Morocco	100%	100%	Real estate
Al Sham Gulf Company Limited	Syria	100%	100%	Real estate
Al Sham Gulf Holding Company	Syria	100%	100%	Real estate
SARL EL Awras El Khalijia Promotion Immo	Algeria	100%	100%	Real estate
North Africa Studies and Consultation Co.	Tunisia	100%	100%	Real estate
Al-Janzour General Trading WLL (Formerly: Arab Tunisia General Trading WLL)	Kuwait	99%	99%	Real estate
Morocco Mediterranean General Trading WLL	Kuwait	99%	99%	Real estate

8. Placement and management fees

It represents income earned for rendering services in the form of marketing, placement, arrangement and identifying investment opportunities.

9. General and administrative expenses

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Staff cost	337,351	444,332
General and administrative expenses	107,384	147,867
	444,735	592,199

Notes to the consolidated financial statements
31 December 2011

10. Basic and diluted (loss)/earnings per share

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year by the weighted average number of shares.

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
(Loss)/profit for the year (KD)	(2,454,437)	285,411
Weighted average number of shares (excluding treasury shares)	145,582,902	148,565,589
Basic and diluted (loss)/ earnings per share	(16.86) Fils	1.92 Fils

11. Equipment

31 December 2011:	Furniture & fixtures KD	Computers KD	Total KD
Cost			
At 1 January	70,758	15,934	86,692
Additions	-	290	290
Disposals	(260)	(814)	(1,074)
Foreign currency adjustment	(31)	(60)	(91)
At 31 December	70,467	15,350	85,817
Accumulated depreciation			
At 1 January	24,343	10,069	34,412
Charge for the year	14,287	2,445	16,732
Relating to disposals	(195)	(646)	(841)
Foreign currency adjustment	(22)	(42)	(64)
At 31 December	38,413	11,826	50,239
Net book value			
At 31 December	32,054	3,524	35,578

Notes to the consolidated financial statements

31 December 2011

11. Equipment (continue)

31 December 2010:	Furniture & fixtures KD	Computers KD	Total KD
Cost			
At 1 January	67,751	16,024	83,775
Additions	3,000	1,760	4,760
Disposals	-	(1,850)	(1,850)
Foreign currency adjustment	7	-	7
At 31 December	70,758	15,934	86,692
Accumulated depreciation			
At 1 January	9,547	8,794	18,341
Charge for the year	14,798	3,056	17,854
Relating to disposals	-	(1,781)	(1,781)
Foreign currency adjustment	(2)	-	(2)
At 31 December	24,343	10,069	34,412
Net book value			
At 31 December	46,415	5,865	52,280

12. Available for sale investments

	31 Dec. 2011 KD	31 Dec. 2010 KD
Local unquoted equity securities	753,773	1,365,838
Foreign unquoted equity securities	7,165,599	7,476,087
Foreign debt securities	1,395,156	-
	9,314,528	8,841,925

Investments amounting to KD6,244,527 (2010: KD6,638,247) are stated at cost less impairment due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value.

Investments in local and foreign unquoted equity securities amounting to KD634,554 (2010: KD658,128) are managed by a related party.

Foreign debt securities represent investments in sukuks of various entities which carry profit rate ranging from 3.88% to 7.5%. These Sukuks mature on various dates.

Notes to the consolidated financial statements
31 December 2011

12. Available for sale investments (continued)

During the year, the Group recognised an impairment loss of KD2,294,222. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

13. Investment in associate

The Group holds 20% (2010: 20%) equity interest in Libya General Trading Company WLL, Kuwait. The movement during the year is as follows:

	31 Dec. 2011	31 Dec. 2010
	KD	KD
Balance at beginning of the year	1,056,140	1,081,280
Share of results	(26,472)	(25,140)
Balance at end of the year	1,029,668	1,056,140

	31 Dec. 2011	31 Dec. 2010
Share of assets & liabilities of associate company:	KD	KD
Assets	1,097,677	1,084,084
Liabilities	(68,009)	(27,944)
	1,029,668	1,056,140
Share of revenue & loss of associate company:		
Revenue	-	4,958
Loss	(26,472)	(25,140)

14. Accounts receivable and other assets

	31 Dec. 2011	31 Dec. 2010
	KD	KD
Accrued revenue	58,577	42,868
Prepaid expenses	6,914	13,388
Other receivable	51,854	51,988
	117,345	108,244

The carrying values of the financial assets included above approximate their fair values and are due within one year. The accounts receivable and other assets have been reviewed for impairment, which indicate no provision is required.

Notes to the consolidated financial statements
31 December 2011

15. Investments at fair value through statement of income

	31 Dec. 2011	31 Dec. 2010
	KD	KD
Local managed funds	85,635	221,866
	85,635	221,866

The fund investments are carried at net asset value provided by the Fund Manager. Due to the nature of these investments the net assets value provided by the Fund Manager represents the best estimate of fair value available for these investments.

16. Cash and cash equivalents

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

	31 Dec. 2011	31 Dec. 2010
	KD	KD
Saving accounts	3,988,213	6,840,966
Cash on hand	630	639
Bank balances	24,107	22,991
	4,012,950	6,864,596

Bank balances and saving accounts carry average profit rate of 1% (31 December 2010: 1.25%).

17. Share capital

	Authorised		Issued and fully paid	
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010
Shares of KD0.100 each	150,000,000	150,000,000	150,000,000	150,000,000

Notes to the consolidated financial statements

31 December 2011

18. Treasury shares

	31 Dec. 2011	31 Dec. 2010
Number of shares	4,560,000	3,760,000
Percentage of issued shares	3.04%	2.51%
Market value (KD)	218,880	270,720
Cost (KD)	336,659	287,750

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

19. Reserves

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is to be transferred to legal reserve. The shareholders of the Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

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

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is to be transferred to the voluntary reserve. Upon recommendation of the board of directors and approval of general assembly the Parent Company may resolve to discontinue transfer to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year in which the Parent Company has incurred a loss or where cumulative losses exist.

Notes to the consolidated financial statements

31 December 2011

20. Accounts payable and other liabilities

	31 Dec. 2011	31 Dec. 2010
	KD	KD
Accounts payables	196	9,900
Accrued expenses	46,371	81,368
Staff leave provision	25,081	37,939
Dividend payable	74,559	-
NLST	-	7,650
KFAS	-	2,754
Zakat	-	3,177
	146,207	142,788

21. Annual general assembly

The directors did not propose dividend for the year ended 31 December 2011.

The Annual General Assembly of the shareholders held on 27 March 2011 approved the consolidated financial statements of the Group for the year ended 31 December 2010 and declared a cash dividend of 5 Fils per share amounting to KD727,800 for the year ended 31 December 2010 and was paid following that approval.

22. Related party transactions

These represent transactions with certain related parties (directors and executive officers of the Parent Company and their related concerns) entered into by the Group and key management compensation.

Notes to the consolidated financial statements

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22. Related party transactions (continued)

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

	31 Dec. 2011 KD	31 Dec. 2010 KD
Transactions included in consolidated statement of financial position:		
Due from related parties	1,105,747	1,910,193
Due from related party (associate)	318,791	123,172
	1,424,538	2,033,365
Due to related parties	2,136	247,387
Purchase of available sale investments	709,592	-
Transactions included in consolidated statement of income:		
Placement & management fees	111,000	463,306
Compensation of key management personnel:		
Salaries and short term benefits	100,588	173,918
End of service benefits	9,758	5,435
Directors remuneration	-	7,000
	110,346	186,353

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23. Segmental information

The Group's reportable segments under IFRS 8 are as follows:

- Local
- International

The revenues and profits generated by the Group from segments are summarised as follows:

	Local KD	International KD	Total KD
31 December 2011			
Revenue	111,887	199,850	311,737
Segment (loss)/profit	(2,636,745)	192,793	(2,443,952)
Foreign exchange loss			(10,485)
Loss for the year			(2,454,437)
Total assets	5,972,544	10,047,698	16,020,242
Total liabilities	(187,002)	-	(187,002)
	5,785,542	10,047,698	15,833,240
Share of results of associate	(26,472)	-	(26,472)
Capital expenditure	(290)	-	(290)
Depreciation	(16,620)	(112)	(16,732)
Impairment of available for sale investments	1,109,327	1,184,895	2,294,222
31 December 2010			
Revenue	41,806	595,706	637,512
Segment (loss)/profit	(559,225)	586,684	27,459
Foreign exchange gain			278,533
Unallocated expenses			(20,581)
Profit for the year			285,411
Total assets	9,413,980	9,764,436	19,178,416
Total liabilities	(450,627)	-	(450,627)
	8,963,353	9,764,436	18,727,789
Murabaha income	18,501	-	18,501
Share of results of associate	(25,140)	-	(25,140)
Capital expenditure	(4,760)	-	(4,760)
Depreciation	(17,723)	(131)	(17,854)

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24. Risk management objectives and policies

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

The Parent Company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management 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. 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 described below.

24.1 Market risk

a. Foreign currency risk

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

The Group mainly operates in Kuwait, the Middle East and North Africa countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar and Syrian Pound. The Group's financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

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

	31 Dec. 2011 KD	31 Dec. 2010 KD
US Dollar	921,292	1,456,030
Syrian Pound	406,930	417,377

The foreign currency sensitivity is determined based on US Dollar 3% (2010: 5%) and Syrian Pound 10% (2010: 5%) increase or decrease in exchange rates. 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/(weakened) against the foreign currencies assuming the above sensitivity, then this would have the following impact on the (loss)/profit for the year and equity:

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24. Risk management objectives and policies (continue)

24.1 Market risk (continue)

a. Foreign currency risk (continue)

	(Loss)/profit for the year	
	31 Dec. 2011	31 Dec. 2010
	KD	KD
US Dollar	± 27,639	± 72,801
Syrian Pound	± 40,693	± 20,869

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. Price risk

The Group is exposed to price risk with respect to its investments. Investments are classified either as investments at fair value through statement of income or available for sale investments.

To manage its price risk arising from investments in equity and debt 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 price risks at the reporting date.

If prices had been 5% higher/lower, the effect on the changes in loss for the years ended 31 December 2011 and 2010 would have been as follows:

	(Loss)/profit for the year		Equity	
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010
	KD	KD	KD	KD
Investments at fair value through statement of income	4,282	11,093	-	-
Available for sale investments	-	-	153,500	110,184

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24 Risk management objectives and policies (continued)

24.2 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 security when appropriate.

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

	31 Dec. 2011	31 Dec. 2010
	KD	KD
Due from related parties	1,424,538	2,033,365
Accounts receivable and other assets	117,345	108,244
Saving accounts	3,988,213	6,840,966
Bank balances	24,107	22,991
	5,554,203	9,005,566

Bank balances and saving accounts are maintained with high credit quality financial institutions. Accounts receivable are presented net of provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

Concentration of financial assets

The Group has investments and other assets amounting to KD5,137,586 (31 December 2010: KD4,366,007) in the Middle East and North Africa (MENA) region representing 32% of total assets as at 31 December 2011 (31 December 2010: 23%) including KD3,131,407 (31 December 2010: KD2,933,538) in Libya and Syria. In addition, the Group is managing real estate construction projects in the region on behalf of its clients, including projects in Libya and Syria. Management is closely monitoring the current political changes the region is witnessing and is taking all the necessary actions to safeguard its assets and activities in the region.

24.3 Liquidity risk

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

The table below summarises the maturity profile of the Group's financial assets and liabilities. The maturities of financial assets and liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

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24 Risk management objectives and policies (continued)

24.3 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2011:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Assets					
Equipment	-	-	-	35,578	35,578
Available for sale nvestments	-	-	536,852	8,777,676	9,314,528
Investment in associate	-	-	-	1,029,668	1,029,668
Due from related parties	-	-	1,424,538	-	1,424,538
Accounts receivable and other assets	65,496	10,909	40,940	-	117,345
Investment at fair value through statement of income	-	-	85,635	-	85,635
Cash and cash equivalents	4,012,950	-	-	-	4,012,950
	4,078,446	10,909	2,087,965	9,842,922	16,020,242
Liabilities					
Employees end of service benefits	-	-	-	38,659	38,659
Due to related parties	-	-	2,136	-	2,136
Accounts payable and other liabilities	196	46,371	99,640	-	146,207
	196	46,371	101,776	38,659	187,002

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24 Risk management objectives and policies (continued)

24.3 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2010:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Assets					
Equipment	-	-	-	52,280	52,280
Available for sale nvestments	-	-	-	8,841,925	8,841,925
Investment in associate	-	-	-	1,056,140	1,056,140
Due from related parties	-	-	2,033,365	-	2,033,365
Accounts receivable and other assets	56,256	11,043	40,945	-	108,244
Investment at fair value through statement of income	-	-	221,866	-	221,866
Cash and cash equivalents	6,864,596	-	-	-	6,864,596
	6,920,852	11,043	2,296,176	9,950,345	19,178,416
Liabilities					
Employees end of service benefits	-	-	-	60,452	60,452
Due to related parties	-	-	247,387	-	247,387
Accounts payable and other liabilities	9,900	94,949	37,939	-	142,788
	9,900	94,949	285,326	60,452	450,627

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25. Summary of financial assets and liabilities by category

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

	31 Dec. 2011		31 Dec. 2010	
	Carrying amount KD	Fair value KD	Carrying amount KD	Fair value KD
Available for sale investments	6,244,527	3,070,001	6,638,247	2,203,678
Due from related parties	1,424,538	-	2,033,365	-
Accounts receivable and other assets	117,345	-	108,244	-
Investments at fair value through statement of income	-	85,635	-	221,866
Cash and cash equivalents	4,012,950	-	6,864,596	-
	11,799,360	3,155,636	15,644,452	2,425,544
Due to related parties	2,136	-	247,387	-
Accounts payable and other liabilities	146,207	-	142,788	-
	148,343	-	390,175	-

Financial instruments measured at fair value

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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25. Summary of financial assets and liabilities by category (continue)

31 December 2011

	Note	Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Investments at fair value through statement of income					
Local managed funds	a	-	85,635	-	85,635
Available for sale investments					
Unquoted investments	b	-	1,674,845	-	1,674,845
Foreign debt securities	c	1,395,156	-	-	1,395,156
Net fair value		1,395,156	1,760,480	-	3,155,636

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	Note	Level 1	Level 2	Level 3	Total
Investments at fair value through statement of income					
Local managed funds	a	-	221,866	-	221,866
Available for sale investments					
Unquoted investments	b	-	-	2,203,678	2,203,678
Net fair value		-	221,866	2,203,678	2,425,544

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Local managed funds

The underlying investments in local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted investments

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using models, which include some assumptions that are not supportable by observable market prices or rates.

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25. Summary of financial assets and liabilities by category (continue)

c) Foreign debt securities

Fair values of foreign debt securities have been determined by reference to their quoted bid prices at the reporting date.

Level 3 fair value measurements

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

	Available for sale investments	
	Unquoted investments	Unquoted investments
	31 Dec. 2011	31 Dec. 2010
	KD	KD
Opening balances	2,203,678	-
Additions	-	2,824,151
Transfer to level 2	(2,203,678)	-
Gains or losses recognised in:		
- Other comprehensive income	-	(620,473)
Closing balance	-	2,203,678

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in consolidated statement of income, total assets or total liabilities or total equity.

26. 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 capital of the Group comprise of total equity. 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, return capital to shareholders, issue new shares or sell assets to reduce debt.

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27. Capital commitments

At the financial position date, the Group was committed to purchase investments amounting to KD Nil (31 December 2010: KD909,578).