Consolidated financial statements and independent auditors' report

International Financial Advisors – KSC (Closed)

and Subsidiaries

Kuwait

31 December 2011

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

Rödl
Middle East
Ali Al Hassawi & Partners
P.O. Box: 22351 Safat 13084 Kuwait
Sharq – Dasman Complex – Block 2 – 9 Floor
Tel 22414956 -3 Fax:22426862-6 /22464574
Email: info-kuwait@rodlme.com

Independent auditors' report

To the shareholders of
International Financial Advisors – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Financial Advisors – Kuwaiti Shareholding Company (Closed) and Subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of income, comprehensive income, changes in equity and 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 applied in Kuwait and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 auditor considers 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 International Financial Advisors and 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 applied in Kuwait.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960 and the Company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law nor of the Company's articles of association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Company.

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

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

Ali A. Al-Hasawi
(Licence No. 30-A)
of Rödl Middle East
Burgan – International Accountants

Kuwait
15 May 2012

Consolidated statement of income

	Notes	**Year ended 31 Dec. 2011 KD**	Year ended 31 Dec. 2010 KD
Income			
Interest and similar income	7	**901,352**	2,412,929
Management fees and commission income	8	**883,641**	1,490,710
Dividend income	9	**1,249,112**	866,776
Net income from hoteliers and related services	10	**4,903,921**	5,227,468
Net loss on investments	11	**(2,133,754)**	(2,539,282)
Net gain/(loss) on investment properties	12	**4,165,443**	(140,281)
Gain on sale of properties under development	13	**10,032,657**	4,595,135
Share of loss from associated companies	26	**(2,210,737)**	(3,494,646)
Income on default of customers to the terms in the sale contracts of the sold residential units	14	**6,031,424**	4,418,976
Other income	15	**1,767,524**	4,717,425
		25,590,583	17,555,210
Expenses and other charges			
Interest and similar expenses	16	**11,904,650**	11,756,845
Staff and related costs		**5,723,984**	8,198,609
Other operating expenses		**14,007,432**	12,705,393
Impairment loss in value of investment in an associated company	26	**1,333,499**	-
Impairment loss in value of available for sale investments	24	**10,805,366**	3,543,896
Impairment loss in value of goodwill	27	**332,982**	-
Impairment loss in balances due from related parties	22	**720,907**	-
Provision for balances due from related parties	22	**-**	7,329,407
Depreciation	30	**2,295,810**	2,239,146
		47,124,630	45,773,296
Loss before contribution to KFAS, National Labour Support Tax, Zakat provision and taxation on overseas subsidiaries		**(21,534,047)**	(28,218,086)
Taxation on overseas subsidiaries		**1,096,777**	626,548
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		**(3,021)**	-
Zakat provision		**(3,357)**	-
National Labour Support Tax (NLST)		**(8,392)**	-
Loss for the year		**(20,452,040)**	(27,591,538)
Attributable to :			
Owners of the parent company		**(20,742,338)**	(18,261,435)
Non-controlling interests		**290,298**	(9,330,103)
Loss for the year		**(20,452,040)**	(27,591,538)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	17	**(30.89)Fils**	(27.78) Fils

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Loss for the year	**(20,452,040)**	(27,591,538)
Other comprehensive income/(loss):		
Available for sale investments:		
- Net change in fair value during the year	**(5,959,368)**	(7,757,680)
- Transferred to consolidated statement of income on sale	**(568,609)**	(1,309,245)
- Transferred to consolidated statement of income on impairment in value	**10,805,366**	3,543,896
Share of other comprehensive income/(loss) of associates	**980,870**	(195,892)
Exchange differences on translation of foreign operations	**(3,672,642)**	615,613
Other comprehensive income/(loss)	**1,585,617**	(5,103,308)
Total comprehensive loss for the year	**(18,866,423)**	(32,694,846)
Attributable to:		
Owners of the parent company	**(19,156,721)**	(23,364,743)
Non-controlling interests	**290,298**	(9,330,103)
	(18,866,423)	(32,694,846)

Consolidated statement of financial position

	Notes	31 Dec. 2011 KD	31 Dec. 2010 KD
Assets			
Cash and cash equivalents	18	**7,721,094**	23,166,482
Investments at fair value through profit or loss	19	**19,428,740**	21,198,088
Receivables and other debit balances	20	**24,802,425**	53,750,384
Loans receivable	21	**4,575,878**	8,100,940
Due from related parties	22	**5,416,036**	8,767,895
Trading properties	23	**5,683,758**	9,689,199
Available for sale investments	24	**41,926,305**	58,454,917
Investment properties	25	**32,233,502**	23,930,266
Investment in associated companies	26	**60,491,843**	64,944,063
Goodwill	27	**48,679,192**	49,031,197
Properties under development	28	**147,065,367**	147,766,517
Capital work in progress	29	**103,680,584**	79,502,520
Property, plant and equipment	30	**38,206,303**	39,453,314
Total assets		**539,911,027**	587,755,782
Liabilities and equity			
Liabilities			
Payables and other credit balances	31	**83,268,171**	86,720,422
Due to related parties	22	**14,031,511**	13,368,452
Term loan from a related party	32	**1,720,000**	1,720,000
Borrowings	33	**187,167,736**	181,606,331
Advances received from customers	34	**131,670,784**	160,415,845
Total liabilities		**417,858,202**	443,831,050
Equity			
Equity attributable to the owners of the parent company			
Share capital	35	**72,000,000**	72,000,000
Share premium	35	**11,973,061**	11,973,061
Treasury shares	35	**(32,896,967)**	(32,818,291)
Statutory and voluntary reserves	36	**61,649,505**	61,649,505
Cumulative changes in fair value	24	**4,094,149**	(1,164,110)
Foreign currency translation reserve		**(4,497,382)**	(824,740)
(Accumulated losses)/retained earnings		**(6,721,619)**	14,137,282
Total equity attributable to the owners of the parent company		**105,600,747**	124,952,707
Non-controlling interests		**16,452,078**	18,972,025
Total equity		**122,052,825**	143,924,732
Total liabilities and equity		**539,911,027**	587,755,782
Fiduciary accounts	37	**78,763,582**	85,337,234

Talal Jassim Al-Bahar
Chairman

Saleh Saleh Al-Selmi
Vice Chairman and CEO

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company									
	Share capital KD	**Share premium KD**	**Treasury shares KD**	**Statutory and voluntary reserves KD**	**Cumulative changes in fair value KD**	**Foreign currency translation reserve KD**	**Retained earnings/ (accumulated losses) KD**	**Sub – total KD**	**Non-controlling interests KD**	**Total KD**
Balance as at 1 January 2011	72,000,000	11,973,061	(32,818,291)	61,649,505	(1,164,110)	(824,740)	14,137,282	124,952,707	18,972,025	143,924,732
(Loss)/profit for the year	-	-	-	-	-	-	(20,742,338)	(20,742,338)	290,298	(20,452,040)
Other comprehensive income/(loss)	-	-	-	-	5,258,259	(3,672,642)	-	1,585,617	-	1,585,617
Total comprehensive income/(loss) for the year	-	-	-	-	5,258,259	(3,672,642)	(20,742,338)	(19,156,721)	290,298	(18,866,423)
Purchase of treasury shares	-	-	(3,297,956)	-	-	-	-	(3,297,956)	-	(3,297,956)
Sale of treasury shares	-	-	3,219,280	-	-	-	-	3,219,280	-	3,219,280
Loss on sale of treasury shares	-	-	-	-	-	-	(108,066)	(108,066)	-	(108,066)
Loss arising on partial disposal of subsidiary shares	-	-	-	-	-	-	(8,497)	(8,497)	-	(8,497)
Change in non-controlling interests	-	-	-	-	-	-	-	-	(2,810,245)	(2,810,245)
Balance as at 31 December 2011	**72,000,000**	**11,973,061**	**(32,896,967)**	**61,649,505**	**4,094,149**	**(4,497,382)**	**(6,721,619)**	**105,600,747**	**16,452,078**	**122,052,825**

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company									
	Share capital KD	**Share premium KD**	**Treasury shares KD**	**Statutory and voluntary reserves KD**	**Cumulative changes in fair value KD**	**Foreign currency translation reserve KD**	**Retained earnings KD**	**Sub – total KD**	**Non-controlling interests KD**	**Total KD**
Balance as at 1 January 2010	72,000,000	11,973,061	(36,045,931)	61,649,505	4,554,811	(1,440,353)	32,771,234	145,462,327	28,293,903	173,756,230
Loss for the year	-	-	-	-	-	-	(18,261,435)	(18,261,435)	(9,330,103)	(27,591,538)
Other comprehensive (loss)/income	-	-	-	-	(5,718,921)	615,613	-	(5,103,308)	-	(5,103,308)
Total comprehensive (loss)/income for the year	-	-	-	-	(5,718,921)	615,613	(18,261,435)	(23,364,743)	(9,330,103)	(32,694,846)
Purchase of treasury shares	-	-	(2,609,962)	-	-	-	-	(2,609,962)	-	(2,609,962)
Sale of treasury shares	-	-	5,837,602	-	-	-	-	5,837,602	-	5,837,602
Loss on sale of treasury shares	-	-	-	-	-	-	(2,078,255)	(2,078,255)	-	(2,078,255)
Profit arising on partial disposal of subsidiary shares	-	-	-	-	-	-	1,705,738	1,705,738	-	1,705,738
Change in non-controlling interests	-	-	-	-	-	-	-	-	8,225	8,225
Balance as at 31 December 2010	72,000,000	11,973,061	(32,818,291)	61,649,505	(1,164,110)	(824,740)	14,137,282	124,952,707	18,972,025	143,924,732

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
OPERATING ACTIVITIES			
Loss for the year attributable to the owners of the parent company		**(20,742,338)**	(18,261,435)
Adjustments:			
Net (gain)/loss on investment properties		**(4,165,443)**	140,281
Loss on sale of available for sale investments		**14,318**	3,288,105
Impairment loss in value of available for sale investments		**10,805,366**	3,543,896
Impairment loss in value of goodwill		**332,982**	-
Impairment loss in value of investment in an associated company		**1,333,499**	-
Impairment loss in balances due from related parties		**720,907**	-
Gain on sale of shares of associated companies		**-**	(1,037)
Gain on sale of properties under development		**(10,032,657)**	(4,595,135)
Dividend income		**(1,249,112)**	(866,776)
Interest and similar income		**(901,352)**	(2,412,929)
Interest and similar expenses		**11,904,650**	11,756,845
Provision for balances due from related parties		**-**	7,329,407
Provisions		**1,031,345**	-
Depreciation		**2,295,810**	2,239,146
Share of loss from associated companies		**2,210,737**	3,494,646
Gain from foreign currency translation of non-operating assets and liabilities		**(302,906)**	(1,642,843)
		(6,744,194)	4,012,171
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**1,769,348**	(4,122,464)
Receivables and other debit balances		**28,227,052**	661,738
Loans receivable		**3,215,903**	(359,056)
Due from related parties		**3,351,859**	2,577,754
Trading properties		**4,005,441**	163,732
Payables and other credit balances		**(4,034,238)**	2,532,691
Due to related parties		**663,059**	313,912
Advances received from customers		**1,723,563**	22,987,724
Cash from operating activities		**32,177,793**	28,768,202
Dividend income received		**1,249,112**	866,776
Interest and similar income received		**901,352**	2,412,929
Interest and similar expenses paid		**(11,904,650)**	(11,756,845)
Net cash from operating activities		**22,423,607**	20,291,062
INVESTING ACTIVITIES			
Proceeds from sale of shares in a consolidated subsidiary		**163,845**	4,507,994
Proceeds from sale of shares in associated companies		**-**	5,693
Net movement to investment in associated companies		**767,785**	(3,864,422)
Net movement to properties under development		**(19,734,833)**	(35,612,963)
Additions to capital work in progress		**(25,018,428)**	(4,858,950)
Net movement to property, plant and equipment		**(1,048,799)**	2,340,345
Proceeds from sale of available for sale investments		**14,974,837**	29,853,372
Net movement to investment properties		**(4,137,793)**	(8,060,297)
Purchase of available for sale investments		**(4,007,650)**	(18,861,046)
Purchase of shares in a consolidated subsidiary		**-**	(1,679,311)
Net cash used in investing activities		**(38,041,036)**	(36,229,585)
FINANCING ACTIVITIES			
Bank loans obtained		**47,642,909**	31,256,392
Bank loans settled		**(35,926,466)**	(13,339,418)
Change in non-controlling interests		**(2,692,288)**	(10,444,825)
Purchase of treasury shares		**(3,297,956)**	(2,609,962)
Proceeds from sale of treasury shares		**3,111,214**	3,759,347
Net movement in foreign currency translation reserve		**(8,665,372)**	2,540,725
Net cash from financing activities		**172,041**	11,162,259
Net decrease in cash and cash equivalents		**(15,445,388)**	(4,776,264)
Cash and cash equivalents at beginning of the year	18	**23,166,482**	27,942,746
Cash and cash equivalents at end of the year	18	**7,721,094**	23,166,482

Notes to the consolidated financial statements

31 December 2011

1 Parent company incorporation and activities

International Financial Advisors – KSC (Closed) ("the parent company") is a Kuwaiti closed shareholding company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company. The address of the parent company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

The parent company is principally engaged in providing financial advisory services, trading in local and international securities, borrowing, lending, issuing guarantees, managing investment funds and portfolios management and trading in future contracts.

The consolidated financial statements were authorised for issue by the board of directors on 15 May 2012 and are subject to the approval of the general assembly of shareholders.

The group comprises the parent company and its subsidiaries.

A -Following is a list of significant subsidiary companies of the parent company:

Parent company's subsidiaries and percentage of ownership	Subsidiary companies	Ownership percentage in subsidiary companies		Place of incorporation	Principal activity	Establishment/ Acquisition date
		2011	2010			
Consolidated subsidiaries						
1) IFA Hotels & Resorts Company– KSC (Closed) (57.339%) (2010: 58.575%)	a) IFA Hotels & Resorts – LLC (Free Zone)	100%	100%	UAE	Property development	2003
	b) IFA Hotels & Resorts – Jabel Ali (Free Zone)	100%	100%	UAE	Property development	2005
	c) IFA Hotels & Resorts (SAL) Holdings	51%	51%	Lebanon	Property development	2003
	d) IFA Zimbali Hotels & Resorts (Pty) Limited	100%	100%	South Africa	Property development	2003
	e) IFA Hotels & Resorts Limited	85%	85%	South Africa	Hotelier and property development	2003
	f) IFA Hotels & Resorts (2) Limited	100%	100%	Cayman Island	Hotelier	2003
	g) IFA Hotels & Resorts (3) Limited	100%	100%	Mauritius	Property development	2006
	h) IFA Fairmont Zimbali Hotels and Resorts (Pty) Limited.	100%	100%	South Africa	Hotelier	2006
	i) International Property Trading Holding Limited	100%	100%	British Virgin Islands	Property development	2007
	j) Yotel Investment Limited	100%	100%	Jersey	Hotelier	2006

1 Parent company incorporation and activities (continued)

Parent company's subsidiaries and percentage of ownership	Subsidiary companies	Ownership percentage in subsidiary companies		Place of incorporation	Principal activity	Establishment/ Acquisition date
		2011	2010			
Consolidated subsidiaries						
2) Seven Seas Resorts Company – KSC (Closed) (48.30%) (2010: 54.286%)	-	**-**	-	Kuwait	Resorts	2003
3) Gulf Real Estate Company –WLL (46.32%) (2010: 46.32%)	-	**-**	-	Kuwait	Real estate	2004
4) IFA Aviation Company – KSC (Closed) (74.8%) (2010: 74.8%)	-	**-**	-	Kuwait	Aviation	2006
	a) Deema Aviation Company Limited	**100%**	100%	Cayman Islands	Aviation	2007
5) Radeem Real Estate Company – SAL (99.7%) (2010: 99.7%)	-	**-**	-	Lebanon	Real estate	2006
6) Dana Company – SAL (90%) (2010: 90%)	-	**-**	-	Lebanon	Real estate	2006

B – The following is a listing of the group's interest in significant joint ventures which are included in the consolidated statement of financial position and consolidated statement of income on the proportional consolidation basis:

Name and details of the joint ventures	Country of registration/ incorporation	Interest	
		2011	2010
Interest in Tongaat Hulett/IFA Hotels & Resorts Development (the principal activity of the joint venture is property development)	South Africa	**50%**	50%
Interest in Zimbali Estates (PTY) Limited (the principal activity of the joint venture is the sale of developed property)	South Africa	**50%**	50%
Interest in Palm Golden Mile Joint Venture (the principal activity of the Joint Venture is design, development, construction, marketing, sale of apartment and rental of shopping centers and residential apartments)	UAE	**50%**	50%

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 and 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

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.

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 follows:

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. The Group previously presented the reconciliations of each component of other comprehensive income in the statement of changes in equity. This reduces duplicated disclosures and presents more clearly the overall changes in equity.

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 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	1 January 2013
- Revised as IAS 27 Separate Financial Statements	
IAS 28 Investments in Associates	1 January 2013
- Revised as IAS 28 Investments – Associates and Joint Ventures	
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

4.2.1 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 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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 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.

4.2.6 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

5.1 Basis of consolidation

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

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

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 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 for 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 (ie gain on a bargain purchase) is recognised in profit or loss immediately.

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 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 Significant accounting policies (continued)

5.4 Investment in associates

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

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

Unrealised gains and losses on transactions between the Group and its associates 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 during that period between the reporting period of the associate and the reporting period of the Group. 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 four operating segments: the assets management, treasury and investments, real estate and other. 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 transactions 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 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.

5.6.1 Sales of properties for development

Revenue from the sale of properties is recognized when risk and reward related to property has been transferred to the customers. Risk and reward are transferred when legal notice is served to the customers to take the possession of the property or on actual handover to the customers.

5.6.2 Cost of revenues

Cost of revenues includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of sale of properties is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

5.6.3 Rental and hoteliers income

Rental income of units in office buildings and residential buildings are recognised on an accrual basis.

Revenue from hoteliers and related services is recognised when the services are rendered.

5 Significant accounting policies (continued)

5.6 Revenue recognition (continued)

5.6.4 Interest income
Interest income is recognised in the consolidated statement of income as it accrues, taking into account the effective yield of the asset or an applicable floating rate.

5.6.5 Dividend income
Dividend income is recognised when the right to receive the dividend is established.

5.6.6 Fees and Commission
Fees and commission income are recognised when earned.

5.7 Operating expenses
Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their occurance. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

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

5.9 Property, plant and equipment
Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees for qualifying assets, and the borrowing costs incurred in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than freehold land and properties under development over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Building on leasehold land is depreciated over the term of lease.

Plant and Equipments, Furniture and Fixtures, Motor Vehicles and Yachts are stated at cost less accumulated depreciation and accumulated impairment losses.

The Aircraft is depreciated over a 15 years period after deducting the recoverable value estimated by professional aircraft valuers to be 85% of original value after that period.

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Freehold buildings	50 years
Building on leasehold land	over the term of lease
Plant and equipment	5 – 7 years
Furniture and fixtures	5 – 10 years
Motor vehicles	4 -5 years
Yacht	10 years
Aircraft	15 years

5 Significant accounting policies (continued)

5.9 Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of income.

5.10 Investment property

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

Investment properties are initially measured at cost. 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 properties under development/construction for trade, which are stated at cost or net realisable value which ever is lower. Cost includes the cost of land, construction, design and architecture. Advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project are added as and when activities that are necessary to get the assets ready for the intended use are carried out. Direct costs from the start of the project up to completion of the project are accrued to properties under development. Completion is defined as the earlier of the issuance of the certificate for completion, or when management considers the project to be completed. Upon completion, unsold properties, if any are transferred to trading properties.

5.12 Capital work-in-progress

Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is reviewed according to circumstances to make sure that there is no impairment loss in value or that the carrying value may not be recoverable. If any such indication exists and when the carrying value is declined, the value of land is written down to its recoverable amount.

Capital work-in-progress also includes the cost of construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalized as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalized.

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.

5 Significant accounting policies (continued)

5.13 Intangible assets (continued)

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.

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 reduce first the carrying amount of any goodwill allocated to that asset. Any remaining impairment loss is charged pro rata to the other assets. 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 asset's is 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.

5 Significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.1 Recognition, initial measurement and derecognition (continued)
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 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:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- 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.

- ***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.

5 Significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.2 Classification and subsequent measurement of financial assets (continued)

- ***Loans and receivables (continued)***

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

In March 2007, the Central Bank of Kuwait ("CBK") issued a circular amending the basis of making general provisions on facilities from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period. During the year 2008, the Central Bank of Kuwait allowed the Group to reverse the excess of general provision 1% in the consolidated statement of income, so that the amount will be transferred to the general reserve.

The Group categorises loans and receivables into following categories:

- *Loans and advances*

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

- *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 demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are not subject to significant 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.

- ***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.

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)***

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

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

5.15.3 Classification and subsequent measurement of financial liabilities

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

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. Payables and other credit balances, due to related parties, borrowings and advances received from customers 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*

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.

- *Advances received from customers*

Advances received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements.

5.15.4 Amortised cost of financial instruments

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

5.15.5 Trade and settlement date accounting

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

5.15.6 Offsetting of financial instruments

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

5 Significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.7 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 44.4.

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 include 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 meeting of the general assembly.

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.

5 Significant accounting policies (continued)

5.18 Provisions, contingent assets and contingent liabilities (continued)

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.

5.19 Foreign currency translation

5.19.1 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.

5.19.2 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.

5.19.3 Foreign operations

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

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

5.20 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 Significant accounting policies (continued)

5.21 Taxation

5.21.1 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 subject to NLST have to be deducted from the profit for the year.

5.21.2 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.

5.21.3 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 and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5.21.4 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.

5.22 Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in these consolidated financial statements.

6 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimations 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.

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.1 Classification of financial instruments (continued)
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 (Note 5.14).

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 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.3 Impairment of available for sale equity investments

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

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 (see note 5.2).

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 (see note 5.15.7).

7 Interest and similar income

Interest and similar income resulted from financial assets as follows:

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Investments at fair value through profit or loss	**-**	54,031
Financing of future trades	**33,605**	63,979
Loans receivable	**130,373**	187,734
Cash and cash equivalents	**540,216**	1,464,537
Late payment by customers	**147,766**	540,593
Loans to related parties	**49,392**	102,055
	901,352	2,412,929
Interest and similar income on financial assets at fair value	**-**	54,031
Interest and similar income on financial assets not at fair value	**901,352**	2,358,898
	901,352	2,412,929

8 Management fees and commission income

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Management fees on assets under management	**159,897**	220,335
Fees from placement and managing funds	**121**	5,337
Consulting fees from managed assets	**723,623**	1,265,038
	883,641	1,490,710

9 Dividend income

Dividend income resulted from financial assets as follows:

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Investments at fair value through profit or loss	**383,887**	291,826
Available for sale investments	**865,225**	574,950
	1,249,112	866,776

10 Net income from hoteliers and related services

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Revenue	**7,543,907**	9,027,100
Costs	**(2,639,986)**	(3,799,632)
	4,903,921	5,227,468

11 Net loss on investments

Net loss on investments, analyzed by category for the year ended 31 December 2011 and 2010 are as follows:

	31 Dec. 2011			31 Dec. 2010		
	Investments at fair value KD	**Available for sale investments KD**	**Total KD**	Investments at fair value KD	Available for sale investments KD	Total KD
Realized gain/(loss)	**203,128**	**(14,318)**	**188,810**	1,726,283	(3,288,105)	(1,561,822)
Unrealized loss	**(2,322,564)**	**-**	**(2,322,564)**	(977,460)	-	(977,460)
	(2,119,436)	**(14,318)**	**(2,133,754)**	748,823	(3,288,105)	(2,539,282)

12 Net gain/(loss) on investment properties

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Realized loss arising from disposal of investment properties	**(1,299,302)**	(38,443)
Unrealized gain/(loss) arising from revaluations (Note 25.3)	**5,464,745**	(101,838)
	4,165,443	(140,281)

13 Gain on sale of properties under development

Gain on sale of properties under development represents the revenue and the costs related to the properties under development which have been originally purchased by the group for the purpose of development and resale to customers.

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Sales revenue	**30,468,623**	31,250,032
Cost of sales	**(20,435,966)**	(26,654,897)
	10,032,657	4,595,135

14 Income on default of customers to the terms in the sale contracts of the sold residential units

The Government Authorities in Dubai, UAE, has authorised the subsidiary company [IFA Hotels and Resorts – KSC (Closed)] to retain part of the advance payments received on the sale of certain residential units under development and sold to customers who have defaulted on settling the payments due in accordance with the sale contracts. The total amount retained by the subsidiary company from these advances and for which the sale contracts were cancelled amounted to UAE Dirhams 79,695,245 equivalent to KD6,031,424 (2010: amount of UAE Dirhams 57,359,514 equivalent to KD4,418,976) included in the consolidated statement of income for the year.

15 Other income

The other income consists of the following:

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
Net Income from aviation services	**2,828**	167,227
Properties rental income	**155,852**	916,056
Gain from foreign currency revaluation	**302,906**	1,642,843
Net income from ticket sales and related services	**105,306**	190,763
Reversal of excess provision on margin loans	**101,141**	50,773
Other miscellaneous income	**1,099,491**	1,749,763
	1,767,524	4,717,425

16 Interest and similar expenses

Interest and similar expenses result from the group's short, medium and long term borrowing activities. All these financial liabilities of the group are stated at amortised cost.

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

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

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Loss for the year attributable to the owners of the parent company (KD)	**(20,742,338)**	(18,261,435)
Weighted average number of shares outstanding (excluding treasury shares) (share)	**671,456,944**	657,363,804
Basic and diluted loss per share attributable to the owners of the parent company (Fils)	**(30.89)**	(27.78)

18 Cash and cash equivalents

	31 Dec. 2011 KD	31 Dec. 2010 KD
Bank balances and cash	**8,129,376**	19,029,623
Fixed deposits	**926,446**	5,262,775
Due to banks	**(1,334,728)**	(1,125,916)
Cash and cash equivalents in the consolidated statement of cash flows	**7,721,094**	23,166,482

19 Investments at fair value through profit or loss

	31 Dec. 2011 KD	31 Dec. 2010 KD
Held for trading:		
Local		
Quoted securities and managed funds	**13,759,158**	8,946,802
Unquoted securities	**881,592**	1,838,936
	14,640,750	10,785,738
Foreign		
Quoted securities	**4,787,990**	10,412,350
Total	**19,428,740**	21,198,088

The quoted securities include investment in Jeezan Holding Company amounting to KD829,206 which has been swapped with shares in International Finance Company – KSC (Closed) (Note 26).

20 Receivables and other debit balances

	31 Dec. 2011 KD	31 Dec. 2010 KD
Receivables on forward contacts	**342,619**	718,813
Trade receivables	**11,920,678**	14,790,494
Advances and prepayments (see below)	**2,684,284**	18,367,577
Kuwait Clearing Company receivables	**149,544**	34,274
Staff receivables	**199,149**	112,970
Prepaid expenses	**664,924**	365,716
Advance to contractors	**2,476,103**	3,910,121
Other receivables	**6,365,124**	15,450,419
	24,802,425	53,750,384

The advance payment amounting to KD12,619,021 (2010: KD12,745,812) equivalent to AED166,830,000 (2010: AED166,830,000) has been transferred to investment properties (Note 25.3) and which represents the purchase cost of a land at Palm Jumeirah by one of the group's subsidiary, Balqis Residence FZE. A joint venture company will be formed with a U.A.E group (Nakheel), for the development of this land.

21 Loans receivable

21.1 Loans balances and effective interest rates are as follows:

	31 Dec. 2011 KD	Effective interest rate	31 Dec. 2010 KD	Effective interest rate
Consumer	**55,641**	**6%**	55,641	6%
Real estate	**809,020**	**6% - 10%**	809,020	6% - 10%
Margin loans	**6,000,254**	**2% - 5%**	9,316,926	2% - 5%
Rescheduled	**1,111**	**7% - 11%**	1,111	7% - 11%
	6,866,026		10,182,698	
Provisions	**(2,290,148)**		(2,081,758)	
	4,575,878		8,100,940	

21.2 The movement in provisions is as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Beginning balance	**2,081,758**	2,118,084
Provision charge for the year (included in other operating expenses)	**309,531**	17,831
Reversal of excess provision (no longer needed)	**(101,141)**	(54,157)
Ending balance	**2,290,148**	2,081,758

The policy of the parent company for the calculation of the provisions for loans receivable complies in all material respects with the requirements of the Central Bank of Kuwait relating to specific and general provisions.

22 Due from/to related parties

	31 Dec. 2011 KD	31 Dec. 2010 KD
Due from related parties:		
United Investment Company – Portugal	**1,590,506**	1,588,334
Al-Bab Trading Company – WLL	**5,314**	1,460,964
IFA Properties Brokerage Company	**221,319**	538,826
IFA Yacht Chartering (LLC)	**4,813,329**	4,580,224
Univest Group – KSC (Closed)	**149**	893,132
Marasi Al Ofuq General Trading Co. – WLL	**1,551,746**	1,551,746
Manarat Al Ofuq General Trading Co. – WLL	**-**	1,431,839
Zilwa Limited Company	**1,287,647**	1,300,111
Olifa Hotels & Resorts Namibia – (pty) Ltd	**-**	1,296,824
IFA Hotel Investment Co.	**677,454**	-
IFA H & R Zanzibar	**474,519**	-
Istithmar Company (PJSC)	**1,304,893**	919,327
Others	**818,567**	535,975
	12,745,443	16,097,302
Provision for doubtful debts (i)	**(7,329,407)**	(7,329,407)
	5,416,036	8,767,895
Due to related parties:		
IFA Zimbali H & R (Pty) Ltd	**65,586**	1,102,492
Al Tilal Investment Co. – WLL	**1,219,741**	-
International Finance Company – KSC (Closed) (Associate)	**10,080,111**	8,471,469
Kuwait Real Estate Company – KSC	**588,149**	2,876,122
Al Rana General Trading Co. – WLL	**1,282,004**	257,574
Kuwait Holding Co. – KSC	**-**	176,536
IFA Hotels & Resorts 2 Ltd	**244,311**	-
Al Deera Holding Company– KSC (Closed)	**103,105**	230,958
IFA Consulting Services Co. – WLL	**169,170**	-
International Resorts Company – KSC (Closed)	**144,718**	115,560
Others	**134,616**	137,741
	14,031,511	13,368,452

(i) During the year 2010, and according to instructions of the Central Bank of Kuwait, a provision against the balances due from related parties has been calculated with a percentage of 20% on the outstanding balances as of the year end, and this provision calculated for that year has amounted to KD7,329,407 and which has been included in the consolidated statement of income for the year ended 31 December 2010, and there has been no provision calculated for the year 2011.

(ii) During the year, the group recognised impairment loss in balances due from related parties of KD720,907 (2010: KD Nil) based on estimates made by management and information available to them as at the date of the consolidated financial position.

23 Trading properties

23.1 Trading properties consist of:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Residential apartments in Dubai – (UAE)	**313,444**	3,176,569
Properties in South Africa	**5,370,314**	6,512,630
	5,683,758	9,689,199

23 Trading properties (continued)

23.2 The movement in trading properties is as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Beginning balance	**9,689,199**	12,392,395
Transferred from properties under development (Note 28.2)	**-**	2,901,193
Additions during the year	**296,813**	321,947
Charged to cost of sales	**(3,010,692)**	(964,106)
Transferred to capital work in progress (Note 29.2)	**-**	(5,440,658)
Foreign currency exchange differences	**(1,291,562)**	478,428
Ending balance	**5,683,758**	9,689,199

a) The trading properties located in Dubai are represented by completed but unsold units of Souq Residence (FZE) – Trunk Residence (FZE).

b) The trading properties in South Africa represent plots of lands purchased in South Africa for trading purposes and comprise land at cost and development expenditure attributable to unsold properties.

24 Available for sale investments

24.1 The available for sale investments comprise of:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Quoted securities	**3,637,289**	12,354,317
Unquoted securities	**38,289,016**	46,100,600
	41,926,305	58,454,917

Unquoted securities include securities of amount KD16,547,778 (2010: KD22,690,895) that are carried at cost on consolidated financial position date due to unavailability of reliable sources to determine their fair value, out of which an amount of KD1,748,587(2010: KD3,505,323) has been purchased during the current year. Those investments comprise of direct participation in newly established companies that have not commenced operations, or companies that have recently commenced operations but their financial statements are not issued yet. Based on the available valuation methods, no indications have been observed for any impairment in the contribution amount in these companies. The management is not aware of any circumstances that would indicate any impairment in the value of these investments as of consolidated financial position date.

The balance of quoted securities at 31 December 2010 included investment in Kuwait Invest Holding Company amounting to KD6,635,998 which has been swapped with shares in International Finance Company and which has been considered as an associated company (Note 26).

During the year, the group recognised an impairment loss of KD10,805,366 (2010: KD3,543,896) against quoted and unquoted securities as the fair value of these securities at year end declined significantly below their cost.

24 Available for sale investments (continued)

24.2 The movement in available for sale investments is as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Beginning balance	**58,454,917**	81,998,165
Purchases during the year	**4,007,650**	18,861,046
Disposals during the year	**(13,902,508)**	(33,547,245)
Net movement in fair value	**4,171,612**	(5,313,153)
Impairment loss in value during the year	**(10,805,366)**	(3,543,896)
Ending balance	**41,926,305**	58,454,917

24.3 The movement on the balance of cumulative changes in fair value is as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Beginning balance	**(1,164,110)**	4,554,811
Change in fair value during the year	**(4,978,498)**	(7,953,572)
Transferred to consolidated statement of income on impairment in value	**10,805,366**	3,543,896
Transferred to consolidated statement of income on sale	**(568,609)**	(1,309,245)
Ending balance	**4,094,149**	(1,164,110)

25 Investment properties

25.1 Investment properties are distributed geographically as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Kuwait	**-**	8,463,500
Lebanon	**2,606,538**	2,655,953
Jordan	**1,013,182**	404,544
UAE	**19,098,718**	2,605,695
Egypt	**354,966**	354,966
Portugal	**8,982,064**	9,223,863
South Africa	**178,034**	221,745
	32,233,502	23,930,266

25.2 Investment properties represent the following:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Freehold land in Zimbali – South Africa	**178,034**	221,745
Land in Jordan	**1,013,182**	404,544
Land in UAE	**410,113**	413,123
Land in Egypt	**354,966**	354,966
Properties in Kuwait	**-**	8,463,500
Apartments in Dubai – UAE	**677,748**	1,023,106
Building in Lebanon	**2,606,538**	2,655,953
Apartments in Portugal	**8,982,064**	9,223,863
Crescent and Palm Jumeirah (freehold land in the Crescent area)	**18,010,857**	1,169,466
	32,233,502	23,930,266

25 Investment properties (continued)

25.3 The movement in investment properties is as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
At fair value		
Beginning balance	**23,930,266**	16,010,250
Additions during the year (Note 20)	**13,189,068**	8,366,078
Disposals during the year (see below)	**(10,001,253)**	(236,764)
Unrealized gain/(loss) from revaluation (Note 12)	**5,464,745**	(101,838)
Net foreign currency exchange differences	**(349,324)**	(107,460)
Ending balance	**32,233,502**	23,930,266

During the year the group sold its investment properties in Kuwait for a consideration of KD7,558,192 which resulted in a net loss of amount KD905,308 (2010: loss of amount KD38,443), included in net loss on investment properties in the consolidated statement of income.

Other foreign investment properties with a carrying value of KD3,341,975 (2010: KD3,391,390) have not been valued by independent foreign valuers, but these have been carried at cost which does not differ significantly from the fair value in accordance with the management's estimates of their values at the year end.

The fair value of other investment properties located outside the State of Kuwait has been estimated by an independent external valuer where the revaluation difference has amounted to KD5,464,745 (2010: loss of amount KD101,838) (Note 12).

26 Investment in associated companies

26.1 Details of associated companies are as follows:

Name of the associate	Principal activities	Place of incorporation	31 Dec. 2011 %	31 Dec. 2011 KD	31 Dec. 2010 %	31 Dec. 2010 KD
Boschendal (Pty) Ltd	Real estate	South Africa	**37.33**	**2,587,950**	37.33	6,342,388
Raimon Land Public Company Limited – Quoted	Property construction & development	Thailand	**41.08**	**12,126,583**	41.08	13,304,583
Purple Plum Properties Ltd	Property development	South Africa	**37.33**	**-**	37.33	1
Zamzam Religious Tourism Company	Hajj & Umrah	Kuwait	**20**	**50,000**	20	50,000
Legend & IFA Developments (Pty) Ltd	Property development	South Africa	**50**	**11,291,733**	50	14,903,758
International Finance Company – KSCC – Quoted	Financing	Kuwait	**20.01**	**34,435,577**	28.63	30,343,333
				60,491,843		64,944,063

The above is made up as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Direct equity investments in the companies capital	**46,612,172**	44,179,358
Shareholders loans	**13,879,671**	20,764,705
	60,491,843	64,944,063

26 Investment in associated companies (continued)

26.1 Details of associated companies (continued)

(i) During the year, the group recognised an impairment loss amounting to KD 1,333,499(2010: KD Nil) against the investment amount in an associate [International Finance Company – KSC (Closed)] as the fair value of this associate calculated by using the discounted cash flow method to estimate the fair value by the management is below the carrying value. The market value of the other associates is significantly above the carrying value of these companies in the group's records.

(ii) Investment in Boschendal (Pty) Limited and Legends & IFA Developments (Pty) Limited, includes shareholders' loans of KD13,879,671 (2010: KD20,764,705) of which KD12,962,726 (2010: KD4,901,113) is non interest bearing. These loans are unsecured and are not repayable before 31 December 2012. The interest bearing loan carries interest of actual rate 1% per annum.

(iii) The aggregate fair market value of the quoted investments is as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Carrying amount of quoted securities	**46,562,160**	43,647,916
Fair value of quoted securities	**30,599,297**	42,876,252

(iv) During the year, the percentage of ownership of the group in the International Finance Company – KSC (Closed) decreased from 28.63% in the ownership of the company before merger to 20.01% in the ownership of the new company after merger. The merger process is as follows:

- The parent company received 21,005,285 shares in International Finance Company – KSC (Closed), plus cash amount of KD1,005,068 in return for its investment in Kuwait Invest Company amounting to KD6,635,998 (Note 24). The parent company incurred a loss of KD1,050,167 on swap.
- The parent company received 6,310,775 shares in International Finance Company – KSC (Closed) in return for its investment in Jeezan Company amounting to KD829,206 (Note 19). The parent company realized a gain of KD780,042 on swap.

As a result of the above share swap, the group incurred additional cost in that new associate of KD4,923,909. This was included as an embedded goodwill in the cost of investment. Management of the group is confident that there is no decline in the value of this goodwill other than the amount recognized as impairment during the year (see (i) above)

26.2 Summarized financial information in respect of group's share in the associated companies is set out below:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Total Assets	**318,209,524**	225,129,298
Total Liabilities	**(186,134,650)**	(131,200,638)
Total equity	**132,074,874**	93,928,660
Group's share of net assets of associates at carrying value	**46,028,570**	52,309,174
Goodwill on acquisition (Note 26.3)	**14,463,273**	12,634,889
Investment in associates as on 31 December	**60,491,843**	64,944,063
Total revenue	**4,478,048**	10,305,274
Groups' share of loss from associated companies	**(2,210,737)**	(3,494,646)

26 Investment in associated companies (continued)

26.3 Goodwill in associated companies which is included in the value of investment:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Beginning balance	**12,634,889**	12,095,477
Additions during the year ((iv) 26.1)	**4,923,909**	-
Disposal during the year	**(1,343,254)**	-
Loss on impairment ((i) 26.1)	**(1,333,499)**	-
Foreign currency exchange differences	**(418,772)**	539,412
Ending balance	**14,463,273**	12,634,889

27 Goodwill

	31 Dec. 2011 KD	31 Dec. 2010 KD
Beginning balance	**49,031,197**	49,022,661
Impairment loss in value	**(332,982)**	-
Foreign currency exchange differences	**(19,023)**	8,536
Ending balance	**48,679,192**	49,031,197

Test for impairment

The group assessed the amount of goodwill by using the discounted cash flows method on the basis of discount rate of 15%. The valuation has not resulted in any indication of impairment as of the consolidated financial position date, except the amount impaired above during the year amounting to KD 332,982.

28 Properties under development

28.1 The properties under development consist of the following:

	31 Dec. 2011 KD	31 Dec. 2010 KD
a) UAE (Note 28.2)		
Land cost		
- Balqis Residence	**23,450,430**	23,569,342
- The Trunk, Palm Jumeirah	**-**	1,279,517
- Golden Mile, Palm Jumeirah	**-**	428,446
- Jumeirah Lake, Dubai	**2,311,151**	2,683,495
- Kingdom of Sheeba Heritage Place	**4,122,496**	4,163,917
Construction pilling and enabling works	**67,965,048**	73,315,615
Other construction related costs	**20,811,874**	12,815,685
	118,660,999	118,256,017
b) South Africa (Note 28.3)	**8,918,321**	11,232,982
c) Lebanon	**19,486,047**	18,277,518
Total	**147,065,367**	147,766,517

28 Properties under development (continued)

28.2 The movement in properties under development in UAE is as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Land:		
Beginning balance	**32,079,624**	36,416,667
Additions during the year	**205,604**	535,373
Charged to cost of sales	**(2,126,680)**	(2,601,083)
Transferred to capital work in progress (Note 29.2)	**-**	(2,271,333)
Ending balance	**30,158,548**	32,079,624
Development expenditure:		
Beginning balance	**85,923,843**	83,066,190
Additions during the year	**19,019,574**	31,881,694
Transferred to trading properties (Note 23.2)	**-**	(2,901,193)
Charged to cost of sales	**(15,517,147)**	(23,104,414)
Transferred to capital work in progress (Note 29.2)	**-**	(3,018,434)
Ending balance	**89,426,270**	85,923,843
	119,584,818	118,003,467
Foreign currency exchange differences	**(923,819)**	252,550
Total	**118,660,999**	118,256,017

28.3 The movement in properties under development in South Africa is as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Land:		
Beginning balance	**2,454,265**	3,273,797
Additions	**4,031**	-
Charged to cost of sales	**(3,696)**	(61,585)
Transferred to property, plant and equipment (Note 30)	**-**	(757,947)
Ending balance	**2,454,600**	2,454,265
Development expenditure:		
Beginning balance	**4,065,251**	24,429,314
Additions during the year	**434,796**	330,860
Charged to cost of sales	**(576,610)**	(2,408,345)
Transferred to property, plant and equipment (Note 30)	**-**	(18,286,578)
Ending balance	**3,923,437**	4,065,251
Foreign currency exchange differences	**2,540,284**	4,713,466
Total	**8,918,321**	11,232,982

(a) Properties under development relate to the projects which are offered for sale for the purpose of revenue recognition.

In the opinion of the management, there has been no impairment in the carrying values of the properties under development as at 31 December 2011 (2010: KD Nil).

29 Capital work in progress

29.1 Capital work in progress consists of the following:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Land cost:		
- The Trunk , Palm Jumeirah	**6,543,941**	6,609,691
- Crescent, Palm Jumeirah	**1,155,127**	1,166,734
- Golden Mile, Palm Jumeirah	**3,446,309**	3,480,937
- Kingdom of Sheeba Hotel	**6,318,547**	6,382,033
Construction pilling and enabling works	**61,497,473**	46,766,194
Other construction related costs	**24,719,187**	15,096,931
Total	**103,680,584**	79,502,520

29.2 The movement in capital work in progress is as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Land:		
Beginning balance	**20,097,434**	16,705,775
Additions during the year	**-**	1,120,326
Transferred from properties under development (Note 28.2)	**-**	2,271,333
Ending balance	**20,097,434**	20,097,434
Development expenditure:		
Beginning balance	**59,962,251**	47,764,535
Additions during the year	**25,018,428**	3,738,624
Transferred from trading properties (Note 23.2)	**-**	5,440,658
Transferred from properties under development (Note 28.2)	**-**	3,018,434
Ending balance	**84,980,679**	59,962,251
Foreign currency exchange differences	**(1,397,529)**	(557,165)
Total	**103,680,584**	79,502,520

Capital work in progress represents mainly hotels under construction in Dubai – UAE, United Kingdom and Europe.

30 Property, plant and equipment

	Freehold land KD	Buildings on freehold land KD	Building on leasehold land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Yacht KD	Aircraft KD	Total KD
Cost									
At 1 January 2011	824,576	19,240,667	9,401,061	1,655,507	6,270,184	296,265	1,386,106	7,156,416	46,230,782
Additions	45,776	4,565,367	115,331	116,960	393,947	7,903	-	-	5,245,284
Disposal	-	-	-	(14,095)	-	(3,290)	-	-	(17,385)
Foreign currency exchange adjustment	(159,526)	(3,343,640)	(103,465)	(80,075)	(741,120)	(16,907)	-	-	(4,444,733)
At 31 December 2011	**710,826**	**20,462,394**	**9,412,927**	**1,678,297**	**5,923,011**	**283,971**	**1,386,106**	**7,156,416**	**47,013,948**
Depreciation									
At 1 January 2011	-	1,118,033	1,366,553	1,175,029	1,979,347	196,940	635,638	305,928	6,777,468
Charge for the year	-	717,209	453,078	328,958	556,625	29,764	138,611	71,565	2,295,810
Relating to disposal	-	-	-	(14,095)	(24,107)	(3,290)	-	-	(41,492)
Foreign currency exchange adjustment	-	(209,124)	71,770	(56,810)	(19,639)	(10,338)	-	-	(224,141)
At 31 December 2011	**-**	**1,626,118**	**1,891,401**	**1,433,082**	**2,492,226**	**213,076**	**774,249**	**377,493**	**8,807,645**
Net carrying amount									
At 31 December 2011	**710,826**	**18,836,276**	**7,521,526**	**245,215**	**3,430,785**	**70,895**	**611,857**	**6,778,923**	**38,206,303**

Building on leasehold land comprises a hotel known as the "Zanzibar Beach Hotels and Resorts" leased to IFA Hotels & Resort 2 Limited. These buildings have been constructed on land leased from the Zanzibar Revolutionary Government. The lease commenced on 2 November 2000 for an initial lease term of 33 years.

Additions during the year include an amount of AED40,884,268 equivalent to KD3,094,167 (2010: KD Nil) being additions to buildings on freehold land pertaining to the cost of the commercial and club area of Trunk Residence FZE which is owned by the UAE subsidiary, the underlying units in this property have been completely sold.

30 Property, plant and equipment (continued)

	Freehold land KD	Buildings on freehold land KD	Building on leasehold land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Yacht KD	Aircraft KD	Total KD
Cost									
At 1 January 2010	-	7,159,821	9,521,866	2,002,987	2,445,080	291,063	1,386,106	7,127,191	29,934,114
Additions	-	119,243	141,322	83,370	121,101	15,503	-	29,225	509,764
Transferred from properties under development (Note 28.3)	824,576	14,135,841	-	-	4,084,108	-	-	-	19,044,525
Disposal	-	(2,610,275)	(232)	(105,371)	(272,409)	(51,135)	-	-	(3,039,422)
Foreign currency exchange adjustment	-	436,037	(261,895)	(325,479)	(107,696)	40,834	-	-	(218,199)
At 31 December 2010	824,576	19,240,667	9,401,061	1,655,507	6,270,184	296,265	1,386,106	7,156,416	46,230,782
Depreciation									
At 1 January 2010	-	752,643	906,561	1,124,237	1,292,634	138,348	497,027	234,386	4,945,836
Charge for the year	-	498,617	508,835	281,057	698,441	42,043	138,611	71,542	2,239,146
Relating to disposal	-	(87)	-	(46,242)	(71,459)	(15,694)	-	-	(133,482)
Foreign currency exchange adjustment	-	(133,140)	(48,843)	(184,023)	59,731	32,243	-	-	(274,032)
At 31 December 2010	-	1,118,033	1,366,553	1,175,029	1,979,347	196,940	635,638	305,928	6,777,468
Net carrying amount									
At 31 December 2010	824,576	18,122,634	8,034,508	480,478	4,290,837	99,325	750,468	6,850,488	39,453,314

31 Payables and other credit balances

	31 Dec. 2011 KD	31 Dec. 2010 KD
Accrued interest payable	**5,261,025**	6,146,304
Accounts payable	**23,342,667**	24,601,615
Dividend payable	**525,111**	1,365,347
Liability towards purchase of land (see below)	**8,071,579**	9,323,970
Accrued expenses	**10,251**	277,261
Kuwait Foundation for the Advancement of Science (KFAS)	**2,391,770**	2,390,077
National Labour Support Tax (NLST)	**7,457,996**	7,456,461
Zakat provision	**573,329**	572,716
Provision for indemnity and leave	**2,095,382**	1,980,989
Provision for contingent liabilities (Note 39)	**73,966**	6,876,475
Deferred income	**1,721,630**	2,088,557
Accrued retention payable	**11,272,699**	9,675,449
Accrued construction costs	**7,455,059**	1,714,996
Redeemable preference shares	**2,903,158**	2,806,154
Refundable deposits on cancellation and resale of units	**2,666,883**	2,909,468
Other payables	**7,445,666**	6,534,583
	83,268,171	86,720,422

Liability towards purchase of land comprises of an amount due on purchase of plot of land at the Crescent on the Palm Jumeirah, Dubai and a plot located at Jumeirah Lake in Dubai.

32 Term loan from a related party

Currency	Principal KD	From	To	Interest	31 Dec. 2011 KD	31 Dec. 2010 KD
KD	1,720,000	03/06/2008	03/07/2012	6.5%	**1,720,000**	1,720,000

33 Borrowings

The loan balances and bank facilities of the group are represented at the date of the consolidated financial position by the following:

	Currency	Period due From	Period due To	Interest	Purpose	Assets pledged	Balance as at 31 Dec. 2011 KD	Balance as at 31 Dec. 2010 KD
1	USD	28-12-2005	28-12-2019	2.5% + Libor	Financing the group's investments	Shares of parent company and IFA H& R shares	**33,475,200**	33,720,000
2	EUR	15-06-2007	28-12-2019	2.5%+Euro Libor	Financing the group's investments	Shares of IFA H& R and an AFS investment	**7,213,068**	7,434,136
3	USD	27-06-2008	29-06-2011	2% + Libor	Repayment of indebtedness	Local portfolio with 140% coverage	**-**	24,587,500
4	KD	26-06-2011	30-06-2019	2.75% + CBK discount rate	Repayment of indebtedness	Local portfolio with 150% coverage	**25,000,000**	-
5	KD	05-01-2011	31-12-2015	2.5% + CBK discount rate	Local Equity financing	Financial portfolio with 200% coverage	**20,000,000**	20,000,000
6	USD	26-07-2007	26-07-2015	2% + Libor	Purchase of aircraft	Aircraft	**3,577,662**	4,137,725
7	USD	21-06-2006	21-6-2012	3% + Libor	Financing the group's investments	Investment properties in two subsidiaries	**847,341**	1,707,075
8	KD	08-11-2006	8-11-2017	3% + CBK discount rate	Purchase of investment properties	(see below)	**5,226,202**	5,558,192
9	KD	16-06-2011	15-03-2015	2.5% + CBK discount rate	Local equity financing	AFS investments and IFA H&R shares	**6,500,000**	7,000,000
10	AED	01-05-2007	30-04-2015	3 months aggregate of EIBOR+margin	Projects financing	Properties located in Palm Jumeirah,U.A.E and collections deposited in account opened in a foreign bank	**54,038,528**	41,054,487
11	Rand	23/05/2007	21/05/2017	1.75% below prime	Financing the group's investments	Investment in Boschendal (Pty) Ltd. (Associate Company),mortgage bond of R120Million over Erf 189, Port Zimbali & the mortgage of certain properties under development.	**19,208,660**	22,948,928
12	USD	15/05/2008	15/06/2018	1.5% +Libor	Financing the group's investments	Additional amount and future shares of IFA Hotels and Resorts – 2 Limited	**2,406,876**	2,604,968
13	USD	01/01/2011	31/12/2012	8%	Acquisition of properties	Land included in properties under development	**2,336,734**	2,659,663
14	EUR	15/09/2010	15/03/2024	Euro Libor + Current interest	Acquisition of properties	Investment properties owned by the subsidiary	**6,898,629**	7,706,988
15	GBP	01/08/2008	31/07/2018	1.5% over bank's announced rate.	Financing the group's investments	Assets of Yotel Airports Limited	**438,836**	486,669
							187,167,736	181,606,331

On 8 March 2012, the parent company settled this loan from the proceeds of the sale of two local properties sold during the 2011.

The maturity profile of the above borrowings is included in Note 43.4.

34 Advances received from customers

These balances represent amounts collected from customers of a subsidiary company of the group, in advance on the sale of residential flats currently under construction by the group. Advances are transferred to income upon completing the construction of the sold unit and handing it over to the customer.

35 Share capital, share premium and treasury shares

Share capital

The authorised and paid up share capital of the parent company as at 31 December 2011 comprised of 720,000,000 shares of 100 Fils each, all issued and fully paid (2010: 720,000,000 shares of 100 Fils each).

Share premium

Share premium is not available for distribution, unless otherwise is stipulated by local laws.

Treasury shares

	31 Dec. 2011			31 Dec. 2010		
	Number of shares	%	Market Value KD	Number of shares	%	Market Value KD
Balance at beginning of the year	**47,849,248**	**6.65**	**2,823,106**	65,737,248	9.13	5,850,615
Net movement	**1,800,000**			(17,888,000)		
Balance at end of the year	**49,649,248**	**6.90**	**1,961,145**	47,849,248	6.65	2,823,106

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

36 Statutory and Voluntary reserves

In accordance with the Commercial Companies Law and the parent company's Articles of Association, 10% of the profit for the year attributable to the owners of the parent company (before contribution to KFAS, National Labour Support tax, Zakat and directors' remuneration) is transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the 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 accumulated profits are not sufficient for the payment of a dividend of that amount.

The parent company's articles of association requires that 10% of the profit for the year attributable to the owners of the parent company (before contribution to KFAS, National Labour Support tax, Zakat and directors' remuneration) should be transferred to a voluntary reserve.

No transfers are required in a year when losses are made.

37 Fiduciary accounts

These accounts include balances of investment portfolios and term deposits with the total amount of KD78,763,582 (2010: KD85,337,234) which are held by the group on behalf of its customers as margin guarantees against customer liabilities for trading related activities.

38 Proposed dividends

Subsequent to the consolidated financial position date, the directors have proposed not to distribute any dividends for the year ended 31 December 2011. This proposal is subject to the approval of the parent company's shareholders at the annual general meeting assembly.

On 24 May 2011, the shareholders' general meeting assembly, approved the consolidated financial statements for the year ended 31 December 2010 and not to distribute any dividend for the year then ended.

39 Contingent liabilities

In 1993, the liquidator of a bank in Bahrain filed a legal case in Ajman (United Arab Emirates) against the parent company and Gulf Group for Industrial Projects, claiming an amount of US$ 27,714,944 representing the balance of debt due from a third party. Two court decisions were issued by the Court of First Instance in favour of the parent company during 1995 and 1996, in addition to an appeal court decision issued in 1998 in favour of the parent company by that court, rejecting the aforementioned appeal, and supporting the decision issued by the Court of First Instance in favour of the parent company.

On 25 January 2006 a court order was issued requesting the payment of KD1,788,944 (AED22,431,145) from Gulf Group for Industrial Projects (the other party) and International Financial Advisors (parent company), jointly, being the principal amount of the debt to 29 April 1985 plus an amount of KD3,272,312 (AED41,032,903) interest on that amount from 29 April 1985 to the date of the court case on 12 August 1993. The parent company has provided for its share of principal and interest as ruled by the court for a total amount of KD5,061,256 during the year 2005.

During the year 2007, the parent company also provided an amount of KD1,815,219 (AED 29,041,265) as interest for the period from 13 August 1993 to 31 December 2007 (Note 31).

The Court of Appeal of Ajman has released its final judgement in favour of a bank against the parent company and other related company jointly to pay a total amount of USD27 Million to that bank and the judgement has become implementable. Accordingly, the parent company increased its provision for contingent liabilities against that case by KD581,987 during the first quarter of year 2011 to cover its share of loss resulting from this judgement and this amount is included in operating expenses. Subsequently, the parent company paid an amount of KD7,384,496 during the second quarter as a settlement of this liability.

During the previous year, a master property developer (Nakheel) initiated legal proceedings for claim of KD7,640,000 (AED100 Million) against a joint venture formed by a UAE subsidiary with another party. Whereas the joint venture lodged a counter claim of KD70,288,000 (AED920 Million), against sale of retail space in Golden Mile. Since these litigations are in the initial stage, the probable outcome cannot be estimated at this stage.

40 Capital Commitments

Capital expenditure commitments

At 31 December 2011, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai – UAE , Beirut –Lebanon, South Africa and U.S.A. The group's share in the estimated funding commitments on these projects is as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Estimated and contracted commitments for property, plant & equipment and capital work in progress	**10,821,000**	29,621,000
Estimated and contracted capital expenditure for construction of properties under development and trading properties	**43,530,000**	59,200,000
	54,351,000	88,821,000

The group expects to finance the future expenditure commitments from the following sources:

a) sale of investment properties;
b) advances from customers;
c) raising additional share capital;
d) advances provided by the shareholders, related entities, joint ventures; and
e) borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at the time they become due.

41 Segmental information

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. According to this standard, reported segment profits are based on management's internal financial reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and then it is reconciled to the group's profit or loss. In contrast, the predecessor standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical). The adoption of IFRS 8 has resulted in a change in the identification of the group's reportable segments. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

41 Segmental information (continued)

The group primarily operates in one area of business activity, investment. Accordingly in prior years, segment information reported externally was analysed on the geographical basis. However, information reported to the group's decision makers for the purposes of resource allocation and assessment of performance is more specifically focussed on the types of investment activities. The group's reportable segments under IFRS 8 are therefore as follows:

Assets management
- Investments in Gulf Cooperation Council Countries, Middle East & North Africa
- International managed investment funds
- Discretionary and non-discretionary financial portfolios management
- Management services

Treasury and investments
- Private equity
- Investment in international quoted securities
- Lending to corporates and individuals
- Managing the company's liquidity requirements

Real estate
- Sale and purchase of real estate
- Real estate brokerage and advisory

The losses and profits generated by the group from business segments are summarised as follows:

	Asset Management		Treasury and Investments		Real Estate		Other		Total	
	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000	**31 Dec. 2011 KD '000**	31 Dec. 2010 KD '000	**31 Dec. 2011 KD '000**	31 Dec. 2010 KD '000	**31 Dec. 2011 KD '000**	31 Dec. 2010 KD '000	**31 Dec. 2011 KD '000**	31 Dec. 2010 KD '000
Segment income/(loss)	**884**	1,491	**(2,193)**	(2,753)	**22,195**	15,017	**4,705**	3,800	**25,591**	17,555
Segment (loss)/profit for the year	**(1,412)**	(748)	**(26,569)**	(18,054)	**22,195**	15,017	**(14,956)**	(14,476)	**(20,742)**	(18,261)
Depreciation	**-**	-	**-**	-	**-**	-	**-**	-	**2,296**	2,239
Impairment	**-**	-	**-**	-	**-**	-	**-**	-	**13,193**	3,544
Statement of financial position										
Total segmental assets	**42,782**	47,554	**178,248**	216,795	**288,663**	260,889	**-**	-	**509,693**	525,238
Total segmental liabilities	**-**	-	**(188,888)**	(183,326)	**(131,671)**	(160,416)	**-**	-	**(320,559)**	(343,742)
Net segmental assets	**42,782**	47,554	**(10,640)**	33,469	**156,992**	100,473	**-**	-	**189,134**	181,496
Unallocated assets									**30,218**	62,518
Unallocated liabilities									**(97,299)**	(100,089)
Net Assets	**42,782**	47,554	**(10,640)**	33,469	**156,992**	100,473	**-**	-	**122,053**	143,925

42 Related parties transactions

These represent transactions with related parties that is shareholders, directors and senior management of the parent company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the parent company's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Balances included in the consolidated statement of financial position:		
Amounts due from related parties (Note 22)	**5,416,036**	8,767,895
Amounts due to related parties (Note 22)	**(14,031,511)**	(13,368,452)
Term loan from a related party (Note 32)	**(1,720,000)**	(1,720,000)
Transactions included in the consolidated statement of income:		
Interest expenses	**104,777**	74,119
Interest income	**49,392**	102,055
(Loss)/gain on sale of available for sale investments	**(1,050,167)**	4,179,256
Gain on sale of investment at fair value	**780,042**	-
Loss on sale of investment properties	**(905,308)**	-
Key management compensation of the group:		
Short-term employee benefits	**465,928**	964,196

Related party balances outstanding at year end due to funds transfer are included under due from related parties and due to related parties (Note 22).

43 Risk management objectives and policies

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

The group's risk management is carried out by the central risk management function 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 which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The board of directors of the parent company is ultimately responsible for setting out risk strategies and objectives and policies for their management.

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

43.1 Market risk

a) Foreign currency risk management

The group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to UAE Dirhams, Euro, South Africa Rand, Sterling Pound and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the group's risk management policies. 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 contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

43 Risk management objectives and policies (continued)

43.1 Market risk (continued)

a) Foreign currency risk management (continued)

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

	31 Dec. 2011 KD'000	31 Dec. 2010 KD'000
UAE Dirhams	**(19,020)**	(36,898)
Euro	**(13,396)**	(14,424)
South African Rand	**(21,863)**	(30,406)
Sterling Pound	**(1,199)**	(748)
US Dollar	**(50,809)**	(73,043)

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the profit/(loss) for the year:

	31 Dec. 2011		31 Dec. 2010	
	Inc/(Dec) %	**Profit/(loss) for the year KD'000**	Inc/(Dec) %	Profit/(loss) for the year KD'000
UAE Dirhams	**+1.15**	**(219)**	+1.33	(492)
	-1.15	**219**	-1.33	492
Euro	**+3.75**	**(502)**	+9.04	(1,304)
	-3.75	**502**	-9.04	1,304
SouthAfrican Rand	**+20.42**	**(4,464)**	+9.88	(3,004)
	-20.42	**4,464**	-9.88	3,004
Sterling Pound	**+1.25**	**(15)**	+5.26	(39)
	-1.25	**15**	-5.26	39
US Dollar	**+1.08**	**(551)**	+1.33	(969)
	-1.08	**551**	-1.33	969

The above percentages have been determined based on the average foreign exchange rates in the previous twelve months.

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 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 Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Provisions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of a 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.

43 Risk management objectives and policies (continued)

43.1 Market risk (continued)

b) Interest rate risk (continued)

Interest rate sensitivity analysis

The following table illustrates the sensitivity of the (loss)/profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (2010: + 1% and –1%) with effect 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 held at each consolidated statement of financial position date. All other variables are held constant.

	31 Dec. 2011		31 Dec. 2010	
	+ 1 % KD'000	**-1 % KD'000**	+ 1 % KD'000	-1 % KD'000
(Loss)/profit for the year	**(1,674)**	**1,674**	(1,392)	1,392

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments carried at fair value through profit or loss (including trading securities) and available for sale investments.

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

The equity price risk sensitivity is determined on the following assumptions:

	31 Dec. 2011 %	31 Dec. 2010 %
Kuwait market	**-16**	1
London market	**-7**	7
USA market	**5**	9
China market	**-21**	6
Portugal market	**-29**	-12
Dubai market	**-19**	-13
KSA market	**-4**	8

The above percentages have been determined based on basis of average market movements during the year. The sensitivity analyses below have been determined based on the exposure to equity price risk at the consolidated statement of financial position date. The analysis reflects the impact of negative changes to equity prices in accordance with the above –mentioned equity price sensitivity assumptions.

	Loss for the year		**Equity**	
	31 Dec. 2011 KD'000	31 Dec. 2010 KD'000	**31 Dec. 2011 KD'000**	31 Dec. 2010 KD'000
Investments held for trading	**(2,299)**	355	**-**	-
Available for sale investments	**-**	-	**(324)**	(31)
Total	**(2,299)**	355	**(324)**	(31)

43.2 Credit risk

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

43 Risk management objectives and policies (continued)

43.2 Credit risk (continued)

The loans receivable consist mainly of margins, ongoing credit valuation is performed on financial conditions of these receivables where appropriate coverage of collaterals is monitored.

The credit risk on liquid funds is limited because the counterparties are the banks with high credit-rating assigned by international credit rating agencies.

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:

	31 Dec. 2011 KD '000	31 Dec. 2010 KD '000
Cash and cash equivalents	**7,721**	23,166
Receivables and other debit balances	**24,802**	53,750
Loans receivable	**4,576**	8,101
Due from related parties	**5,416**	8,768
	42,515	93,785

Information on other significant concentrations of credit risk is set out in note 43.3.

43.3 Concentration of assets

The group operates in different geographical areas. A geographical analysis based on location of assets is as follows:

	GCC KD'000	Asia KD'000	Africa KD'000	Europe KD'000	USA KD'000	Total KD'000
At 31 December 2011						
Assets						
Cash and cash equivalents	**6,209**	**555**	**243**	**672**	**42**	**7,721**
Investments at fair value through profit or loss	**14,673**	**-**	**-**	**2,663**	**2,092**	**19,428**
Receivables and other debit balances	**18,438**	**162**	**3,847**	**911**	**1,444**	**24,802**
Loans receivable	**4,576**	**-**	**-**	**-**	**-**	**4,576**
Due from related parties	**3,374**	**449**	**1,071**	**522**	**-**	**5,416**
Trading properties	**5,684**	**-**	**-**	**-**	**-**	**5,684**
Available for sale investments	**23,615**	**2,490**	**562**	**1,712**	**13,547**	**41,926**
Investment properties	**19,099**	**3,620**	**533**	**8,982**	**-**	**32,234**
Investment in associated companies	**34,486**	**12,126**	**13,880**	**-**	**-**	**60,492**
Goodwill	**47,015**	**1,664**	**-**	**-**	**-**	**48,679**
Properties under development	**118,661**	**19,486**	**8,919**	**-**	**-**	**147,066**
Capital work in progress	**103,681**	**-**	**-**	**-**	**-**	**103,681**
Property, plant and equipment	**12,871**	**270**	**17,375**	**3,891**	**3,799**	**38,206**
Total assets	**412,382**	**40,822**	**46,430**	**19,353**	**20,924**	**539,911**
At 31 December 2010						
Assets						
Cash and cash equivalents	21,838	471	294	517	46	23,166
Investments at fair value through profit or loss	10,838	-	-	5,720	4,640	21,198
Receivables and other debit balances	45,215	963	5,062	1,195	1,315	53,750
Loans receivable	8,101	-	-	-	-	8,101
Due from related parties	4,522	55	2,597	1,594	-	8,768
Trading properties	9,689	-	-	-	-	9,689
Available for sale investments	35,996	4,966	152	5,687	11,654	58,455
Investment properties	11,069	3,060	577	9,224	-	23,930
Investment in associated companies	30,393	13,305	21,246	-	-	64,944
Goodwill	47,034	1,664	-	333	-	49,031
Properties under development	118,256	18,278	11,233	-	-	147,767
Capital work in progress	79,503	-	-	-	-	79,503
Property, plant and equipment	9,555	271	21,454	4,325	3,849	39,454
Total assets	432,009	43,033	62,615	28,595	21,504	587,756

43 Risk management objectives and policies (continued)

43.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities.

	Up to 1month KD '000	1-3 months KD'000	3-12 months KD '000	Over 1year KD '000	Total KD '000
At 31 December 2011					
Assets					
Cash and cash equivalents	**6,795**	**-**	**926**	**-**	**7,721**
Investments at fair value through profit or loss	**-**	**19,428**	**-**	**-**	**19,428**
Receivables and other debit balances	**-**	**-**	**24,802**	**-**	**24,802**
Loans receivable	**-**	**-**	**-**	**4,576**	**4,576**
Due from related parties	**-**	**-**	**5,416**	**-**	**5,416**
Trading properties	**-**	**-**	**5,684**	**-**	**5,684**
Available for sale investments	**-**	**-**	**-**	**41,926**	**41,926**
Investment properties	**-**	**-**	**-**	**32,234**	**32,234**
Investment in associated companies	**-**	**-**	**-**	**60,492**	**60,492**
Goodwill	**-**	**-**	**-**	**48,679**	**48,679**
Properties under development	**-**	**-**	**-**	**147,066**	**147,066**
Capital work in progress	**-**	**-**	**-**	**103,681**	**103,681**
Property, plant and equipment	**-**	**-**	**-**	**38,206**	**38,206**
Total assets	**6,795**	**19,428**	**36,828**	**476,860**	**539,911**
Liabilities					
Payables and other credit balances	**-**	**-**	**58,281**	**24,987**	**83,268**
Due to related parties	**-**	**-**	**14,031**	**-**	**14,031**
Term loan from a related party	**-**	**-**	**1,720**	**-**	**1,720**
Borrowings	**133**	**5,726**	**52,866**	**128,443**	**187,168**
Advances received from customers	**-**	**-**	**-**	**131,671**	**131,671**
Total liabilities	**133**	**5,726**	**126,898**	**285,101**	**417,858**
At 31 December 2010					
Assets					
Cash and cash equivalents	22,235	-	931	-	23,166
Investments at fair value through profit or loss	-	20,248	950	-	21,198
Receivables and other debit balances	-	-	12,891	40,859	53,750
Loans receivable	-	-	-	8,101	8,101
Due from related parties	-	-	8,768	-	8,768
Trading properties	-	-	9,689	-	9,689
Available for sale investments	-	-	-	58,455	58,455
Investment properties	-	-	-	23,930	23,930
Investment in associated companies	-	-	-	64,944	64,944
Goodwill	-	-	-	49,031	49,031
Properties under development	-	-	-	147,767	147,767
Capital work in progress	-	-	-	79,503	79,503
Property, plant and equipment	-	-	-	39,454	39,454
Total assets	22,235	20,248	33,229	512,044	587,756
Liabilities					
Payables and other credit balances	-	-	65,554	21,166	86,720
Due to related parties	-	-	13,369	-	13,369
Term loan from a related party	-	-	1,720	-	1,720
Borrowings	133	-	84,778	96,695	181,606
Advances received from customers	-	-	-	160,416	160,416
Total liabilities	133	-	165,421	278,277	443,831

44 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 dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

44.1 Gearing ratio

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 Dec. 2011 KD	31 Dec. 2010 KD
Debt (a)	**188,887,736**	183,326,331
Cash and cash equivalents	**(7,721,094)**	(23,166,482)
Net debt	**181,166,642**	160,159,849
Equity (b)	**128,622,370**	143,924,732
Net debt to equity ratio	**141%**	111%

(b) Debt is defined as long and short term borrowings .
(c) Equity includes all capital and reserves of the group.

44.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 5 to the consolidated financial statements.

44.3 Categories of financial instruments

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

	31 Dec. 2011		31 Dec. 2010	
	Fair value KD'000	**Carrying value KD'000**	Fair value KD'000	Carrying value KD'000
Financial assets				
Cash and cash equivalents	**-**	**7,721**	-	23,166
Investments at fair value through profit or loss	**18,398**	**1,030**	19,359	1,839
Receivables and other debt balances	**-**	**24,802**	-	53,750
Loans receivable	**-**	**4,576**	-	8,101
Due from related parties	**-**	**5,416**	-	8,768
Available for sale investments	**28,510**	**13,416**	35,764	22,691
	46,908	**56,961**	55,123	118,315
Financial liabilities at amortised cost				
Payables and other credit balances	**-**	**83,268**	-	86,720
Due to related parties	**-**	**14,031**	-	13,369
Term loan from a related party	**-**	**1,720**	-	1,720
Borrowings	**-**	**187,168**	-	181,606
Advances received from customers	**-**	**131,671**	-	160,416
	-	**417,858**	-	443,831

Management believes that the carrying values of the financial instruments approximate their fair values.

44 Capital management objectives (continued)

44.4 Financial instruments measured at fair value

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

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

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

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

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

31 December 2011

	Notes	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Assets:					
Investments at fair value through profit or loss					
Investments held for trading:					
Local:					
Quoted securities and managed funds	a + b	13,257	502	-	13,759
Foreign:					
Quoted securities	a	4,788	-	-	4,788
Financial assets available for sale					
Quoted securities	a	3,637	-	-	3,637
Managed funds	b	-	1,473	-	1,473
Unquoted securities	c	-	-	20,268	20,268
		21,682	1,975	20,268	43,925
Liabilities	d	-	-	-	-
Net fair value		21,682	1,975	20,268	43,925

44 Capital management objectives (continued)

44.4 Financial instruments measured at fair value (continued)

31 December 2010

	Notes	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Assets:					
Investments at fair value through profit or loss					
Investments held for trading:					
Local:					
Quoted securities and managed funds	a + b	8,250	697	-	8,947
Foreign:					
Quoted securities	a	10,412	-	-	10,412
Financial assets available for sale					
Quoted securities	a	12,354	-	-	12,354
Managed funds	b	-	1,402	-	1,402
Unquoted securities	c	-	-	22,008	22,008
		31,016	2,099	22,008	55,123
Liabilities	d	-	-	-	-
Net fair value		31,016	2,099	22,008	55,123

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

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

b) Managed funds
The underlying investments of 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.

c) Unquoted securities
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

d) Financial liabilities
The group does not have any financial liabilities at fair value.

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:

44 Capital management objectives (continued)

44.4 Financial instruments measured at fair value (continued)

Level 3 fair value measurements (continued)

	31 Dec. 2011			31 Dec. 2010		
	Investments at fair value through profit or loss Unquoted securities KD'000	Available for sale investments Unquoted securities KD'000	Total KD'000	Investments at fair value through profit or loss Unquoted securities KD'000	Available for sale investments Unquoted securities KD'000	Total KD'000
Opening balance	-	22,008	22,008	-	17,617	17,617
Gains or losses recognised in:						
- Other comprehensive loss	-	(2,374)	(2,374)	-	(3,711)	(3,711)
Purchases	-	1,023	1,023	-	10,071	10,071
Sales	-	(389)	(389)	-	(1,969)	(1,969)
Closing balance	-	20,268	20,268	-	22,008	22,008

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.

45 Comparative figures

During the year, the group has reclassified its investment in an investment portfolio managed by others by including the portfolio's net value in the investment at fair value through profit or loss balances instead of the previous classification stated in the consolidated financial statements as at 31 December 2010 which depended on stating the balances of the components of that portfolio such as cash, receivables, investment balances, payable and borrowings separately as follows:

	Balance before reclassification KD	Reclassified amount KD	Balance after reclassification KD
31 December 2010			
Cash and cash equivalents	36,170,938	(13,004,456)	23,166,482
Receivables and other debit balances	53,801,260	(50,876)	53,750,384
Payables and other credit balances	86,844,700	(124,278)	86,720,422
Borrowings	189,991,933	(8,385,602)	181,606,331
Net shown as managed portfolio included in investments at fair value through profit or loss		4,545,452	

That revaluation has no effect on the results of operations and equity except for the balance of cash and cash equivalents shown in the consolidated statement of cash flows.