



شركة الاستشارات المالية الدولية

INTERNATIONAL FINANCIAL ADVISORS

MAINTAINING VALUES
AND CREATING VALUE

ANNUAL REPORT

2011



H.H. Sheikh
Nawaf Al-Ahmed-Al-Jaber Al Sabah
Crown Prince



H.H. Sheikh
Sabah Al-Ahmed-Al-Jaber Al Sabah
Emir of State of Kuwait

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Members of the Board

Talal Jassim Al-Bahar
Chairman

Saleh Saleh Al-Selmi
Vice Chairman & CEO

Wafa Ahmad Al-Qatami
Board member

Nedal Khaled Al Maso'd
Board member

Abdulwahab Ahmad Al-Nakib
Board member

Report to the Shareholders

Dear shareholders,

On behalf of my colleagues on the Board of Directors of International Financial Advisors (IFA) and myself, I present to you the annual report of the company's activities for the financial year ended on 31/12/2011.

Overview:

In 2011, the negative political climate affected Kuwait's economy, delaying the Development plan despite Parliament's approval in 2010. Moreover, major flaws have been evident in the Capital Markets Authority's legislation, a year after it was put in to effect. The implementation of this legislation acted as an impediment for companies listed on Kuwait's Stock Exchange instead of benefiting them. Amending this law has become the primary requirement for most companies and stakeholders.

We have been affected by the economic conditions surrounding us, however we hope that the Legislative and executive bodies cooperate, triggering the Development plan and expediting the execution of its projects, which will utterly benefit the economy and the private sector. We also hope in the coming phase, that both bodies endorse laws & legislations that provide an attractive environment for foreign investors and support the amendments to the Capital Market Authority's legislation proposed by the Union of Investment Companies in order to improve market conditions and attract foreign Investments.

Global Financial Markets suffered a downward trend caused by Government's deficits and Sovereign Credit downgrades. Global Equity Markets experienced record volatility and most markets ended the year flat or in a loss. With the exception of Oil and Gold, Commodities and Precious Metals underperformed this year. Political instability in the Middle East, led to negative performance across most Emerging Market Exchanges, drying up liquidity.

Financial performance:

IFA suffered from losses amounting KD20.7 million (Fils31 Per Share) compared to losses of KD18.2million (Fils28 Per Share) for 2010. The losses were incurred due to local and global markets drop that led to additional impairments and provisions on its investments and assets. However, IFA continues to hold a strong financial position with shareholders equity amounting to KD106 million and a book value of Fils 147 which is higher than its market price as of December 2011, Fils39.5. IFA also was successful in restructuring loans amounting to KD86 million for longer terms and managed to pay KD7 million for a legal case in Ajman, outstanding since 1993 when the company was managed and owned by the government



Advisory Services :

Following the unique tri-merge between three listed companies: Jeezan Holding, Kuwait Invest Holding and International Finance Company, that came into effect in 2011, IFA is gearing up to offer investment opportunities distinguished by their resistance to economic inflation in food and retail sectors.

International Finance Company (IFC)

During 2011, IFC laid out strategic plans that contribute to attaining revenues and rewarding profits for its shareholders and applied organizational restructuring that integrates with those plans, some of which included hiring high caliber managers with expertise in finance and investment, whom on their part have placed operational plans in light of the desired goals.

Furthermore, the tri-merge reflected positively on the net assets of the company, where the total acquired assets after the merger increased to 69 million Kuwaiti dinars, which is 68% higher compared to December 2010. The fair value of net assets acquired due to the merger reached 55 million Kuwaiti dinars, which increased the capital by 34 million dinars, 72% more compared to December 2010.

IFA Hotels & Resorts (IFAHR)

In Dubai, IFAHR successfully handed over 562 luxury homes in The Residences (North and South), Palm Jumeirah and established IFA Properties Residential Services, a dedicated service provider to IFAHR's residential units on the Palm Jumeirah.

In nearby Beirut, IFA HR readies itself to hand over the 45 villas that comprise the first phase of its Alabadiyah Hills development. Ninety-nine percent of the works were complete as of December 2011 including the sub-division of the site.

In South Asia, IFAHR's investments in Thailand through its shareholding in Bangkok-listed real estate developer Raimon Land saw a return to profitability in 2010 and despite challenges created by unprecedented floods in Thailand, sales across all RL projects improved, totaling THB5.25billion (US\$166million) for the year, up 20% compared to 2010. This brought RL's secured sales backlog on current projects to THB17.4billion (US\$552million) of which approximately two thirds relate to sales at The River project in Bangkok that will be completed and transferred to clients in 2012.

In Europe, YOTEL is moving from strength to strength with average daily rates on par with the competition. Occupancy at Heathrow, Gatwick and Schiphol is flourishing at more than twice the competitive set resulting in RevPAR of between 140 to 240%.

Elsewhere in Europe signs of recovery were apparent with the Sheraton Algarve, part of the Pine Cliffs Resort in Portugal, improving turnover by 3.6% and GOP by 61% compared to the same period in 2010. Meanwhile, Pine Cliffs Residence saw a double-digit increase in turnover and GOP at 12.4% and 16.2% respectively, while the resort also saw substantial growth in real estate sales compared to 2010.

Finally, June 2011 witnessed the completion of the company's first project in North America – the US\$315million, 669-room YOTEL New York, just off Times Square. The project was acquired and funded by an investment consortium which included Kuwait Real Estate Company and United Investments Portugal and was led by IFA Hotel Investments. The US\$240million funding process of the project was carried out jointly by Atrium Holding Company, an investment vehicle based in the USA, and Centre Bridge Partners LP.

Food Sector

IFA owns an 18% stake of Al-Wafir Marketing Services Company, the manager of Al-Forda Central Fruits and Vegetables Market. During the first year of operating Al-Forda market, Al-Wafir achieved good profits and we expect such profits to improve in 2012.

Al-Forda is one of the most advanced and integrated vegetable markets in the world, in line with the highest technical standards, equipped with huge cooling warehouses, large parking lots, a laboratory to test produce, a fire-station and a medical care center, as well as an air-conditioned central market, restaurants and cafés.

The past year witnessed a rise in the food sector caused by an increase in local consumption rates and buying power. This increase pushed IFA to incorporate OnCost Company with a capital of KD3.25million.

OnCost offers a new wholesale concept "Cash&Carry", which focuses on satisfying the needs and requirements of hotels, restaurants, caterers and large families; a concept which has already been proven a success internationally. This particular wholesale concept outshines other sales centers by offering competitive prices as well as a greater variety of foodstuff and other goods under one roof. The company plans to open 15 stores in the GCC, including Kuwait, over the next eight years.



Social responsibility :

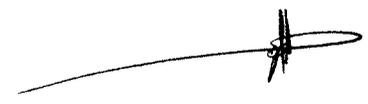
As part of its objective to contribute meaningfully to society, IFA sponsored and participated in the 28th annual conference hosted by the USA Branch of the National Union of Kuwait Students. And in addition to its annual donation to Kuwait Hearts Foundation – a non-profit organization aimed at combating heart disease, IFA has also sponsored an awareness campaign for the prevention of heart diseases and partook in the blood donation campaign organized by the Petroleum Services Company in cooperation with the Central Blood Bank.

Finally, due to IFA's belief in integrating those with special needs in society at an early stage and helping to prepare them to be involved in the community, the company sponsored the "Carnival of HOPE", organized by Hope Special Needs School.

Future plans:

In light of the ongoing economic instability around the world and in Kuwait, IFA will continue the reallocation of its assets with a focus on income yielding assets, as well as enhancing the performance of such assets for the purpose of achieving better returns for the company and its shareholders and hope that the year 2013 be better not only for the company, but for all markets around the globe.

Finally, I would like to extend my thanks and appreciation to IFA's shareholders and clients for their continued support, as well as to our staff for their efforts and commitment in implementing company strategy.



Talal Jassim Al-Bahar
Chairman



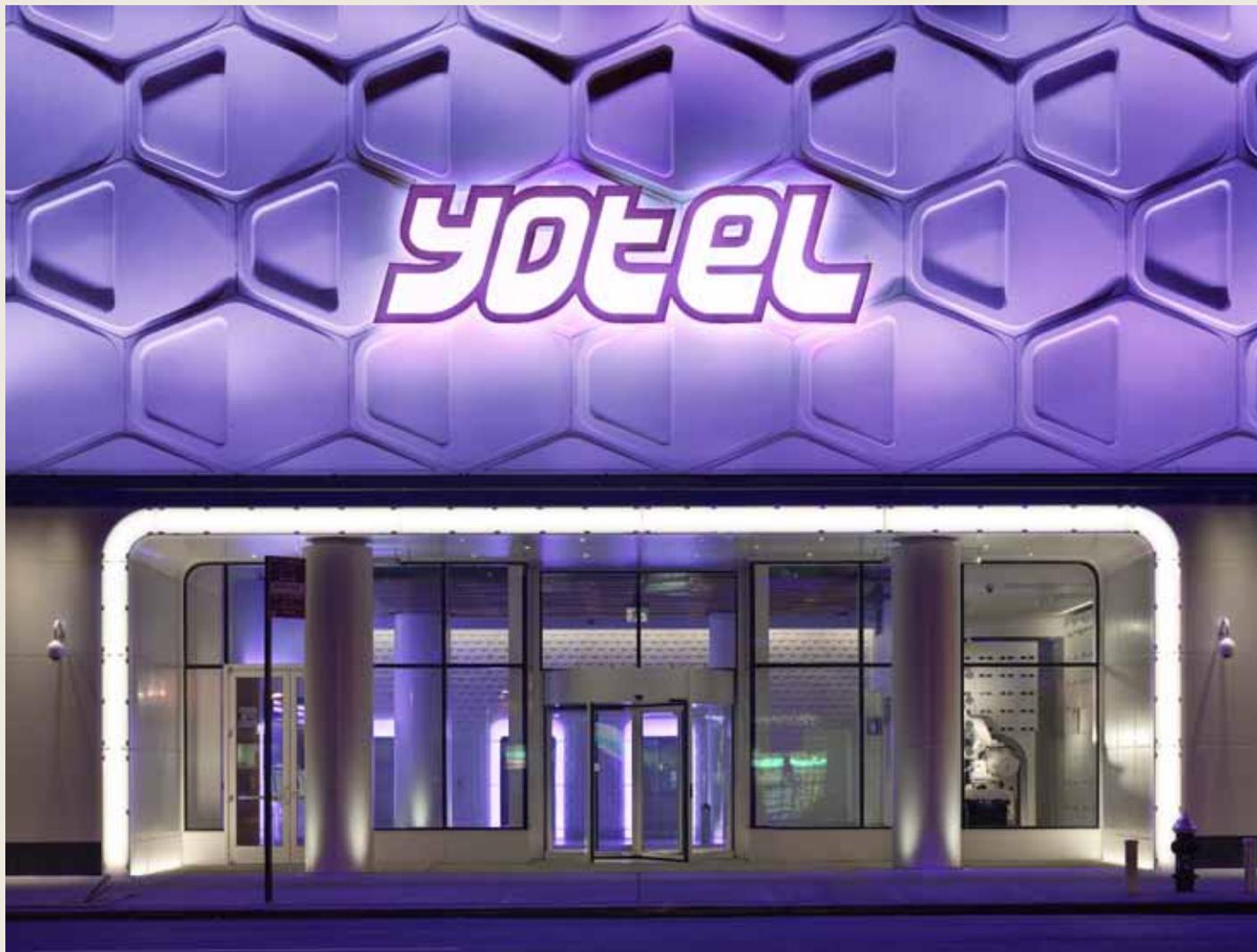
The Residences Palm Jumeirah

Comprises 562 luxury homes. Both the North and South buildings are adjacent to the Fairmont Palm Jumeirah hotel and located on the western trunk of the iconic island and offer the best of Palm Jumeirah living.



Pattaya-Thailand

The 1,207 unit dual-tower project is particularly designed for young investors seeking properties that offer quality, style, convenience and healthy returns.



Yotel New York

Opened in June 2011 and is the brand's first location outside of an airport.

Consists of 669 rooms and is part of Related Company's complex.



Alforda Central Fruits & Vegetables Market

Opened in November 2010 and occupies a 300,000 square meter space.

Alforda is one of the most advanced and integrated vegetable market in the world, in line with the highest technical standards, equipped with huge cooling warehouses, a laboratory to test produce, large parking lots, a fire station and medical care center, restaurants and cafes as well as an air-conditioned central market.

IFA owns an 18% stake of Al-Wafir Marketing Services company, the managing company of Alfroda.

Financial Statements



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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.





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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

International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
 Consolidated statement of income
 31 December 2011

	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

The notes set out on pages 28 to 79 form an integral part of these consolidated financial statements.



International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
 Consolidated statement of comprehensive income
 31 December 2011

	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)

The notes set out on pages 28 to 79 form an integral part of these consolidated financial statements.

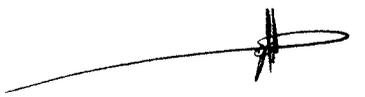
International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
 Consolidated statement of financial position
 31 December 2011

	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



International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
 Consolidated statement of financial position
 31 December 2011

	Notes	31 Dec. 2011 KD	31 Dec. 2010 KD
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 28 to 79 form an integral part of these consolidated financial statements.

International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
 Consolidated statement of changes in equity
 31 December 2011

Equity attributable to the owners of the parent company

	Share capital	Share premium	Treasury shares	Statutory and voluntary reserves	Cumulative changes in fair value	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Sub – total	Non-controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	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

The notes set out on pages 28 to 79 form an integral part of these consolidated financial statements.



Equity attributable to the owners of the parent company

	Share capital	Share premium	Treasury shares	Statutory and voluntary reserves	Cumulative changes in fair value	Foreign currency translation reserve	Retained earnings	Sub – total	Non-controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	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

International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
 Consolidated statement of cash flows
 31 December 2011

	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



International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
 Consolidated statement of changes in equity
 31 December 2011

	Note	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
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

The notes set out on pages 28 to 79 form an integral part of these consolidated financial statements.

International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
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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
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



International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
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1 Parent company incorporation and activities (continued)

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.

International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
Notes to the consolidated financial statements
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4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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 - Revised as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates - Revised as IAS 28 Investments – Associates and Joint Ventures	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendment	1 July 2011
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

4.2.1 IAS 1 Presentation of Financial Statements

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

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

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

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

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

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

4.2.4 IFRS 7 Financial Instruments: Disclosures

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

4.2.5 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety 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:



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4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

4.2.5 IFRS 9 Financial Instruments (continued)

- 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. 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 off 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.

International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
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5 Significant accounting policies (continued)

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.

5.4 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.



International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
Notes to the consolidated financial statements
31 December 2011

5 Significant accounting policies (continued)

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.

5.6.4 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 occurrence. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
 Notes to the consolidated financial statements
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5 Significant accounting policies (continued)

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



International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
Notes to the consolidated financial statements
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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 whichever 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.

International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
Notes to the consolidated financial statements
31 December 2011

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 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.



International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
 Notes to the consolidated financial statements
 31 December 2011

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.

International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
Notes to the consolidated financial statements
31 December 2011

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 off 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.



International Financial Advisors – KSC (Closed) and Subsidiaries - Kuwait
Notes to the consolidated financial statements
31 December 2011

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.

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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.

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.



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5 Significant accounting policies (continued)

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.

5.21 Taxation

5.21.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Ministry 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.

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5 Significant accounting policies (continued)

5.21 Taxation (continued)

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. 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.



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6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

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.

6.2.3 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).

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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



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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 investents 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

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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)



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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

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20 Receivables and other debit balances (continued)

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.



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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	8,471,769
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

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22 Due from/to related parties (continued)

(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

23.2 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.



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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.

24.2 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

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24 Available for sale investments (continued)

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



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25 Investment properties (continued)

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

25.3 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).

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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. 2010	
			%	KD	%	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	20.15	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

(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



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26 Investment in associated companies (continued)

26.1 Details of associated companies are as follows: (continued)

(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)

26.3 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

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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



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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

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28 Properties under development (continued)

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



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29 Capital work in progress (continued)

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.

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30 Property, plant and equipment

	Freehold land	Buildings on freehold land	Building on leasehold land	Plant and equipment	Furniture and fixture	Motor vehicles	Yacht	Aircraft	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Cost	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
At 1 January 2011									
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.

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30 Property, plant and equipment (continued)

	Freehold land	Buildings on freehold land	Building on leasehold land	Plant and equipment	Furniture and fixture	Motor vehicles	Yacht	Aircraft	Total
	KD	KD	KD	KD	KD	KD	KD	KD	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

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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	3/6/2008	3/7/2012	6.5%	1,720,000	1,720,000



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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		Interest	Purpose	Assets pledged	Balance as	Balance as
		From	To				at 31 Dec. 2011	at 31 Dec. 2010
							KD	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	15-6-2007	28-12-2019	2.5%+Euroibor	Financing the group's investments	Shares of IFA H& R and an AFS investment	7,213,068	7,434,136
3	USD	27-6-2008	29-6-2011	2% + Libor	Repayment of indebtedness	Local portfolio with 140% coverage	-	24,587,500
4	KD	26-6-2011	30-6-2019	2.75% + CBK discount rate	Repayment of indebtedness	Local portfolio with 150% coverage	25,000,000	-
5	KD	5-1-2011	31-12-2015	2.5% + CBK discount rate	Local Equity financing	Financial portfolio with 200% coverage	20,000,000	20,000,000
6	USD	26-7-2007	26-7-2015	2% + Libor	Purchase of aircraft	Aircraft	3,577,662	4,137,725
7	USD	21-6-2006	21-6-2012	3% + Libor	Financing the group's investments	Investment properties in two subsidiaries	847,341	1,707,075
8	KD	8-11-2006	8-11-2017	3% + CBK discount rate	Purchase of investment properties	(see below)	5,226,202	5,558,192
9	KD	16-6-2011	15-3-2015	2.5% + CBK discount rate	Local equity financing	AFS investments and IFA H&R shares	6,500,000	7,000,000
10	AED	1-5-2007	30-4-2015	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	23-5-2007	21-5-2017	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	15-5-2008	15-6-2018	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	1-1-2011	31-12-2012	8%	Acquisition of properties	Land included in properties under development	2,336,734	2,659,663
14	EUR	15-9-2010	15-3-2024	Euroibor + Current interest	Acquisition of properties	Investment properties owned by the subsidiary	6,898,629	7,706,988
15	GBP	1-8-2008	31-7-2018	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.

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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.

	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.



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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

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40 Capital Commitments (continued)

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.

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



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41 Segmental information (continued)

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	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	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:

Balances included in the consolidated statement of financial position:

Amounts due from related parties (Note 22)

Amounts due to related parties (Note 22)

Term loan from a related party (Note 32)

Transactions included in the consolidated statement of income:

Interest expenses

	31 Dec. 2011 KD	31 Dec. 2010 KD
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)
Interest expenses	104,777	74,119

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42 Related parties transactions (continued)

	31 Dec. 2011 KD	31 Dec. 2010 KD
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.



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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	Inc/(Dec)	Profit/(loss) for the year
	%	KD'000	%	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
South African 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.

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43 Risk management objectives and policies (continued)

43.1 Market risk (continued)

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.

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 %	-1 %	+ 1 %	-1 %
	KD'000	KD'000	KD'000	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.



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43 Risk management objectives and policies (continued)

43.1 Market risk (continued)

	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.

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.

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43 Risk management objectives and policies (continued)

43.3 Concentration of assets

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

At 31 December 2011	GCC KD'000	Asia KD'000	Africa KD'000	Europe KD'000	USA KD'000	Total KD'000
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



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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.

At 31 December 2011	Up to 1month KD '000	1-3 months KD'000	3-12 months KD '000	Over 1year KD '000	Total KD '000
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

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43 Risk management objectives and policies (continued)

43.4 Liquidity risk management

At 31 December 2010	Up to 1 month KD '000	1-3 months KD'000	3-12 months KD '000	Over 1 year KD '000	Total KD '000
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:



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44 Capital management objectives (continued)

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 %

(a) Debt is defined as long and short term borrowings .

(b) 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 debit 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

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44 Capital management objectives (continued)

44.3 Categories of financial instruments

	31 Dec. 2011		31 Dec. 2010	
	Fair value KD'000	Carrying value KD'000	Fair value KD'000	Carrying value KD'000
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.

44.4 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:					
<i>Investments at fair value through profit or loss</i>					
<i>Investments held for trading:</i>					
Local:					
Quoted securities and managed funds	a + b	13,257	502	-	13,759
Foreign:					
Quoted securities	a	4,788	-	-	4,788



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44 Capital management objectives (continued)

44.4 Financial instruments measured at fair value

31 December 2011	Notes	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
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

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.

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44 Capital management objectives (continued)

44.4 Financial instruments measured at fair value (continued)

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:

	31 December 2011			31 December 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.



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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:

31 December 2010	Balance before reclassification KD	Reclassified amount KD	Balance after reclassification KD
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.

