ANNUAL REPORT

2011

تمدين

TAMDEEN

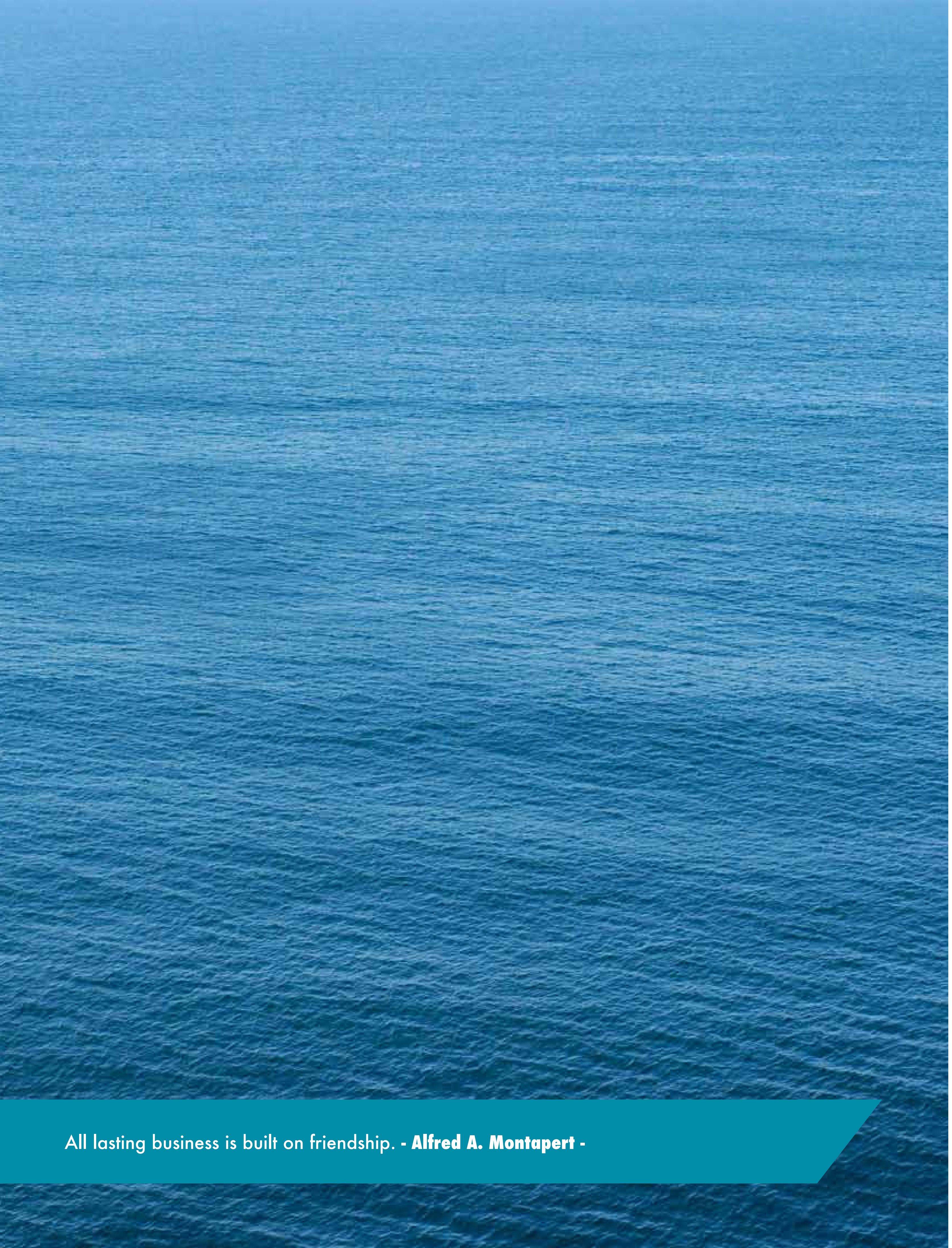
INVESTMENT

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

H.H. Sheikh Nawaf Al Ahmad Al Jaber Al Sabah
Crown prince of the State of Kuwait

H.H. Sheikh Sabah Al Ahmad Al Jaber Al Sabah
Amir of the State of Kuwait

H.H. Sheikh Jaber Al Mubarak Al Hamad Al Sabah
Prime minister of the State of Kuwait


All lasting business is built on friendship. - **Alfred A. Montapert** -

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BOARD MEMBERS

Meshal Jassim Al Marzouq
CHAIRMAN & CEO

Ahmad Dakhel Al Osaimi
VICE CHAIRMAN

Hisham Fahed Al Ghanim
BOARD MEMBER

Abdul Aziz Abdullah Al Ghanim
BOARD MEMBER

Mohammed Mustafa Al Marzouq
BOARD MEMBER

EXECUTIVE MANAGEMENT

Meshal Jassim Al Marzouq
CHAIRMAN & CEO

Nabil Abdelmoeti Soliman
DGM FINANCE

Mohammed Mustafa Al Marzouq
HEAD OF TRADING DEPARTMENT

Sanaa Adel Mousa
HEAD OF SETTLEMENT DEPARTMENT

Nashmyah Ali Hadeyah
HEAD OF CO-ORDINATION &
FOLLOW UP DEPARTMENT

Our work is the presentation of our capabilities. **- Edward Gibbon -**

CHAIRMAN'S LETTER

GREETINGS

FIRST, I WOULD LIKE TO WELCOME YOU ON BEHALF OF MY COLLEAGUES, MEMBERS OF THE BOARD OF DIRECTORS AND MYSELF, TO PRESENT TO YOU THE FOURTEENTH ANNUAL REPORT OF TAMDEEN INVESTMENT COMPANY FOR THE FISCAL YEAR ENDED ON 31 DECEMBER 2011.

HONORABLE SHAREHOLDERS

THE YEAR 2011 HAS ELAPSED WITH LARGE LOSSES IN MOST INTERNATIONAL AND GULF STOCK MARKETS, AS IT WAS A DIFFICULT YEAR WHICH ALMOST REMINDED THE INVESTORS OF WHAT TOOK PLACE AT THE END OF THE YEAR OF 2008. THE EVENTS OF THE ARAB SPRING, THE PROBLEMS OF SOVEREIGN DEBTS IN THE EURO ZONE, THE SLOWDOWN OF THE GLOBAL ECONOMIC GROWTH, AND THE DOWNGRADING OF CREDIT RATING OF THE AMERICAN TREASURY DEBTS, HAVE OVERSHADOWED THE POSITIVE FINANCIAL INCIDENTS OF THE GENERAL BUDGET OF MOST GULF COOPERATION COUNCIL COUNTRIES DUE TO THE RISE IN OIL PRICES AND THE SUBSEQUENT EXPLOITATION OF THE FINANCIAL SURPLUS IN SUPPORTING THE ECONOMY AND FINANCING THE VITAL PROJECTS.

HONORABLE SHAREHOLDERS,

During the year of 2011, the Gulf stock markets lost 56 Billion U.S. Dollars of its market value with the largest loss being in the Kuwait Stock Exchange at about 26 Billion US. Dollars due to the negative atmosphere which resulted from several factors, primarily the time-consuming execution of developmental projects, organizing the stock exchange and lack of liquidity in the hands of the investors. As to the Saudi Stock Exchange, it lost 14.5 Billion U.S. Dollars in its market value despite the high liquidity and its improved corporate profitability. The loss is attributed to the stock exchange market being influenced by external developments. The condition of the Dubai and Abu Dhabi market was not better as they lost 12 Billion U.S. Dollars as a result of scarce liquidity and migration of foreign investor. With respect to Bahrain and Muscat markets, the losses were high in comparison with the size of these markets at 3.9 Billion and 2 Billion U.S. Dollars respectively. In regards to the Qatar Stock Exchange, it was the only winner during year 2011 as its market value rose by 2 Billion U.S. Dollars driven by the economic growth, availability of liquidity for financing the infrastructure of projects and the development of gas production.

HONORABLE SHAREHOLDERS,

Despite the continuing economic instability, Tamdeen Investment Company was able to sell its 40% share in Buyou' Leasing & Investment Company for 6.6 Million Kuwaiti Dinars and in the process made a profit of 2.6 Million Kuwaiti Dinars, during 2011. The Company was also able to reduce the size of loans and bank facilities during year 2011 by 11 Million Kuwaiti Dinars. The Company's Board of Directors continued to pursue its conservative policy whereby it took additional supporting provisions on the unlisted investments at the value of 700 Thousand Kuwaiti Dinars during the year. The Company's Board of Directors will work diligently during year 2012 to develop and safeguard the Company's assets and to reduce the size of loans and facilities granted to the Company.

As to the results of the Company's financial statements, the Company continued to make profits and realized net profit amounting to 3.1 Million Kuwaiti Dinars in the year of 2011 compared with 3.4 Million Kuwaiti Dinars in the year of 2010. The profit per share amounted to Fils 10.45 in the year of 2011 versus Fils 11.36 in the year of 2010.

In confirmation of the success of the policies and objectives set out by the Company's Board of Directors, the Board is pleased to suggest to the Company's General Assembly to distribute cash dividends to the shareholders at the rate of 7% of the share nominal value (i.e. Fils 7 per share) for the fiscal year ended on 31 December 2011.

HONORABLE SHAREHOLDERS,

I would like to seize this opportunity to offer, on behalf of my colleagues members of the Board of Directors and myself, sincere thanks and gratitude to His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, may God protect him, and to his loyal Crown Prince His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, may God protect him. We would also like to extend thanks to the honorable shareholders of the Company for the trust and support they have granted us.

In conclusion, I would like to express my thanks and appreciation to the members of the Company's Board of Directors and to all the personnel for the constructive efforts they put forth in order to achieve the results anticipated for the Company during the year of 2011.

Peace and God's Mercy
and Blessings be upon you,

MESHAL JASSIM AL MARZOUQ
CHAIRMAN & CEO

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Tamdeen Investment Company - K.S.C.C, "the Parent Company" and its subsidiaries (together referred to as the Group) which comprise the consolidated statement of financial position as of 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 notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations during the year ended 31 December 2011.

Bader A. Al-Wazzan

(Licence No. 62A)

Al Fahad, Al Wazzan & Co. - Deloitte & Touche

Kuwait, 29 March 2012

Abdul Majeed Ashkanani

CIDA

Licence No. 95 "A"

First Audit

Member of MGI International

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2011

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2011	2010
Assets			
Cash and cash equivalents	5	6,802,378	5,926,167
Accounts receivable	6	2,197,836	936,247
Investments available for sale	7	91,020,724	98,600,813
Investments in associates	8	27,759,793	31,391,624
Land held for trading	9	11,363,778	19,950,503
Real estate under development	10	699,678	982,261
Properties and equipments		576,885	280,051
Total assets		140,421,072	158,067,666
Liabilities and equity			
Liabilities			
Accounts payable	11	1,154,990	1,506,632
Loans and bank facilities	12	45,194,852	56,090,110
End of service indemnity		83,871	92,423
Total liabilities		46,433,713	57,689,165
Equity			
Share capital	13	31,185,000	31,185,000
Share premium		10,000,000	10,000,000
Treasury shares	14	(2,353,927)	(1,743,986)
Gain from sale of treasury shares		240,466	211,168
Statutory reserve	15	3,213,068	2,883,130
Change in fair value reserve		40,009,496	46,922,269
Group's share in associates' reserves		(988,603)	(764,230)
Retained earnings		12,681,859	11,685,150
Total equity		93,987,359	100,378,501
Total liabilities and equity		140,421,072	158,067,666

The accompanying notes form an integral part of these consolidated financial statements

Meshal Jassim Al Marzouq
Chairman & CEO

Ahmad Dakhel Al Osaimi
Vice Chairman

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2011	2010
Revenues			
Gains from investments available for sale	17	4,465,441	5,265,180
Gains from sale of associates	8	2,681,558	-
Group's share from associates' results	8	469,257	1,629,258
Gain from sale of land held for trading		214,912	90,800
Management fees		83,043	151,778
Other revenue		736,550	814,748
		8,650,761	7,951,764
Expenses and other charges			
Staff costs		612,363	730,649
Other expenses		889,926	733,621
Finance costs		2,534,676	2,828,373
Impairment losses	18	1,194,796	-
Foreign currency translation differences		119,618	49,948
		5,351,379	4,342,591
Net profit for the year before deductions		3,299,382	3,609,173
Board of Directors' remuneration		50,000	50,000
Contribution to Kuwait Foundation for Advancement of Science		23,013	16,190
National Labour Support Tax		75,810	85,019
Zakat		26,312	17,715
Net profit for the year		3,124,247	3,440,249
Earnings per share (fils)	19	10.45	11.36

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	2011	2010
Net profit for the year	3,124,247	3,440,249
Other consolidated comprehensive income		
Transferred to statement of income on sale of investments available for sale	(1,096,447)	(1,764,247)
Change in fair value of investments available for sale	(5,816,326)	33,908,387
Transferred to statement of income on sale of an associate	(27,068)	-
Group's share in associates' reserves	(197,305)	128,125
Total other comprehensive (losses) / income	(7,137,146)	32,272,265
Total comprehensive (losses) / income for the year	(4,012,899)	35,712,514

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	Share capital	Share premium	Treasury shares	Gain on sale of treasury shares	Statutory reserve	Change in fair value reserve	Group's share in associates' reserves	Retained earnings	Total
Balance as of 1 January 2010	31,185,000	10,000,000	(72,887)	152,860	2,522,213	14,778,129	(892,355)	10,415,778	68,088,738
Net profit for the year	-	-	-	-	-	-	-	3,440,249	3,440,249
Other comprehensive income items									
Transferred to statement of income on sale of investments available for sale	-	-	-	-	-	(1,764,247)	-	-	(1,764,247)
Change in fair value of investments available for sale	-	-	-	-	-	33,908,387	-	-	33,908,387
Group's share from associates' reserves	-	-	-	-	-	-	128,125	-	128,125
Total other comprehensive income items	-	-	-	-	-	32,144,140	128,125	-	32,272,265
Purchase of treasury shares	-	-	(1,826,842)	-	-	-	-	-	(1,826,842)
Sale of treasury shares	-	-	155,743	58,308	-	-	-	-	214,051
Cash dividends	-	-	-	-	-	-	-	(1,809,960)	(1,809,960)
Transferred to statutory reserve	-	-	-	-	360,917	-	-	(360,917)	-
Balance as at 31 December 2010	31,185,000	10,000,000	(1,743,986)	211,168	2,883,130	46,922,269	(764,230)	11,685,150	100,378,501
Balance as of 1 January 2011	31,185,000	10,000,000	(1,743,986)	211,168	2,883,130	46,922,269	(764,230)	11,685,150	100,378,501
Net profit for the year	-	-	-	-	-	-	-	3,124,247	3,124,247
Other comprehensive income items									
Transferred to statement of income on sale of investments available for sale	-	-	-	-	-	(1,096,447)	-	-	(1,096,447)
Change in fair value of investments available for sale	-	-	-	-	-	(5,816,326)	-	-	(5,816,326)
Transferred to statement of income on sale of associate	-	-	-	-	-	-	(27,068)	-	(27,068)
Group's share from associates' reserves	-	-	-	-	-	-	(197,305)	-	(197,305)
Total other comprehensive income items	-	-	-	-	-	(6,912,773)	(224,373)	-	(7,137,146)
Purchase of treasury shares	-	-	(788,623)	-	-	-	-	-	(788,623)
Sale of treasury shares	-	-	178,682	29,298	-	-	-	-	207,980
Cash dividends (note 16)	-	-	-	-	-	-	-	(1,797,600)	(1,797,600)
Transferred to statutory reserve	-	-	-	-	329,938	-	-	(329,938)	-
Balance as of 31 December 2011	31,185,000	10,000,000	(2,353,927)	240,466	3,213,068	40,009,496	(988,603)	12,681,859	93,987,359

The accompanying notes form an integral part of these consolidated financial statements

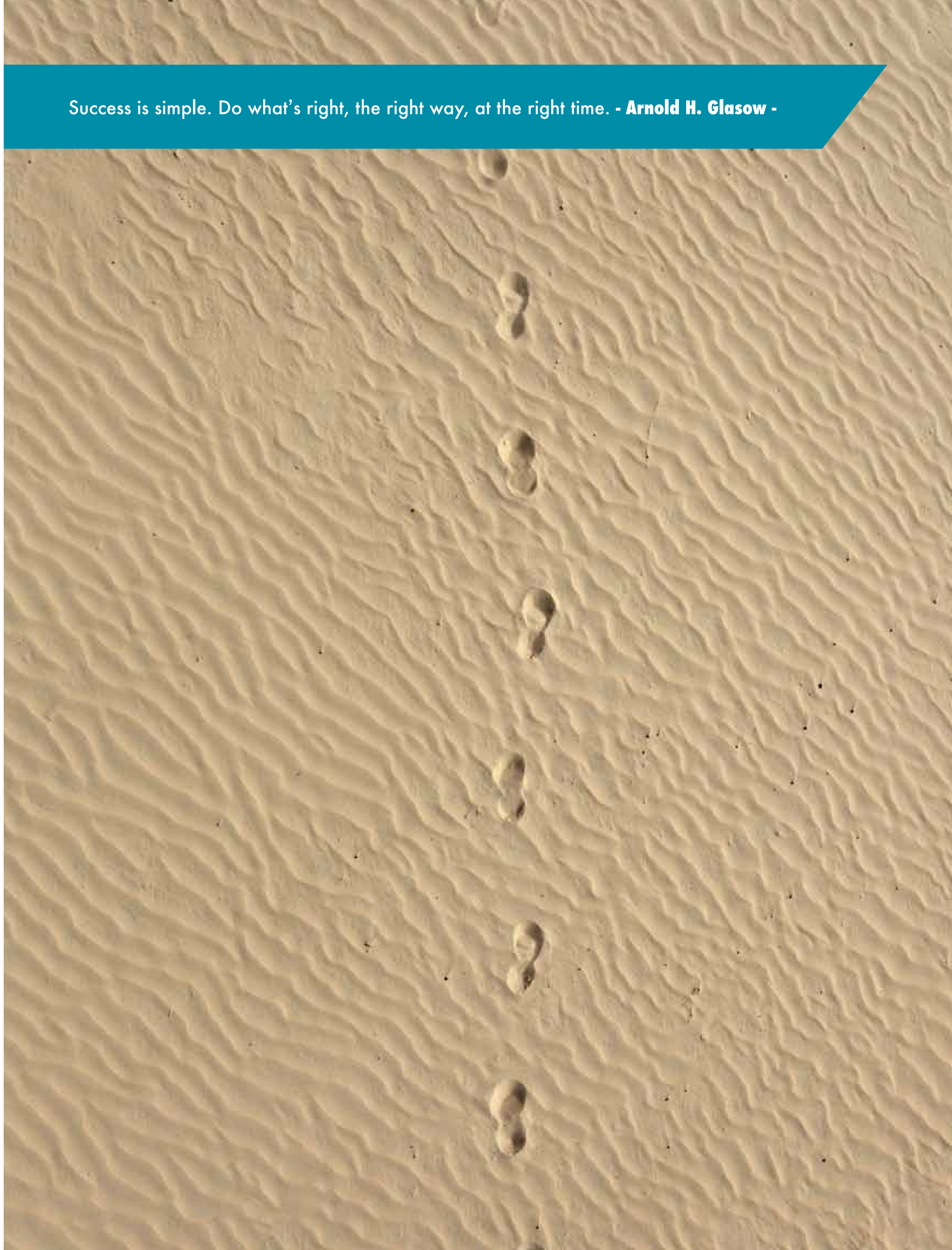
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2011	2010
Cash flows from operating activities			
Net profit for the year		3,124,247	3,440,249
Adjustments:			
Gains from investments available for sale	17	(4,465,441)	(5,265,180)
Gain from sale of associates		(2,681,558)	-
Group's share from associate's result		(469,257)	(1,629,258)
Impairment losses		1,194,796	-
Credit interest		(49,874)	(39,711)
Finance costs		2,534,676	2,828,373
Depreciation		107,262	55,842
End of service indemnity		24,778	38,397
Operating loss before changes in operating assets and liabilities		(680,371)	(571,288)
Land held for trading		7,325,325	1,845,500
Accounts receivable		(189)	26,988
Accounts payable		(603,697)	151,810
End of service indemnity paid		(33,330)	(21,795)
Net cash generated from operating activities		6,007,738	1,431,215
Cash flows from investing activities			
Paid for purchase of investments available for sale		(1,506,949)	(315,253)
Proceeds from sale of investments available for sale		2,645,491	4,645,557
Proceeds from sale of associates		6,595,699	-
Paid for land and real estates under development		(217,417)	(63,690)
Payments for purchase of properties and equipments		(404,096)	(66,009)
Cash dividends received		3,261,993	2,777,175
Credit interest received		49,874	39,711
Net cash generated from investing activities		10,424,595	7,017,491
Cash flows from investing activities			
Cash dividends paid		(1,797,600)	(1,809,960)
Paid for purchase of treasury shares		(788,623)	(1,826,842)
Proceeds from sale of treasury shares		207,980	214,051
Paid for loans and bank facilities		(10,895,258)	(1,096,084)
Finance costs paid		(2,282,621)	(2,573,578)
Net cash used in financing activities		(15,556,122)	(7,092,413)
Increase in cash and cash equivalents		876,211	1,356,293
Cash and cash equivalents at the beginning of the year		5,926,167	4,569,874
Cash and cash equivalents at the end of the year	5	6,802,378	5,926,167

The accompanying notes form an integral part of these consolidated financial statements



NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

1- BACKGROUND

Tamdeen Investment Company - KSCC "the Parent Company" was incorporated as a closed Kuwaiti shareholding company as per incorporation memorandum No. 359, Vol. 1 dated 3 March 1997. The Parent company is registered in the Commercial registration under registry No. 69476 on 30 April 1997 and registered as an investment company at the Central Bank of Kuwait on 20 August 1997. On 29 May 2006, the Parent Company's shares have been listed in the Kuwait Stock Exchange.

These consolidated financial statements include the financial statements of the Parent company and the financial statements of the following fully owned subsidiaries (together referred to as the Group):

Subsidiary's name	Legal entity	Activity
Al Madina Al Thaniya General Trading & Contracting Company	W.L.L	General Trading & Contracting
Al Madina Al Namozagia General Trading & Contracting Company	W.L.L	General Trading & Contracting
Wafra holding company	K.S.C.H	Investments
Al Adiyat International Real Estate Company	K.S.C.C	Real Estate
Tamdeen Consulting Company	W.L.L	Consulting
Tamdeen First For Real Estate Trading Company	W.L.L	Real Estate

The total assets of these subsidiaries as of 31 December 2011 is KD 3,169,436 (3,455,118 as of 31 December 2010) and their net loss for the year ended 31 December 2011 is KD 40,096 as of 31 December 2011 (profit of KD 64,480 as of 31 December 2010). Audited financial statements have been relied upon in the consolidation of the subsidiaries as of 31 December 2011.

The main objectives of the Group are conducting all of the financial investment transactions in all economic sectors inside and outside Kuwait, performing transactions related to dealing in securities such as purchase and sale of shares and bonds of both companies and government authorities, carrying out investment and portfolio management activities, acting as an intermediate in lending and borrowing transactions, financing international trading transactions, providing researches and studies and establishing and managing various investment funds, in addition to conducting the real estate and general trading and contracting activities.

The Parent Company is owned by Tamdeen Real Estate Company - KSCC with a percentage of 51.37% as of 31 December 2011 (51.37% as of 31 December 2010).

The Head office of the Parent Company is located in South Al Sura – Al Zahraá area – 360 Mall– 6th ring road – 4th floor, Kuwait, Box No. 22509 Safat – 13066 Kuwait.

The consolidated financial statements have been authorized for issue by the board of directors on 29 March 2012.

2- BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

2-2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new and amended IFRSs that are effective from 1 January 2011.

New and revised IFRSs that have been applied in the current year

IAS 1: Presentation of Financial Statements

The amendment clarifies that an entity may present an analysis of each component of equity either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item. The Group provides these analysis in the statement of changes in equity.

IAS 24: Related party disclosures (Revised)

The amended standard clarifies the definition of a related party and lays down additional requirements for disclosure of outstanding commitments to related parties. The adoption of the amendment does not have any material impact on the consolidated financial statements of the Group.

IFRS 3: Business Combinations

IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.

IAS 32: Financial Instruments (Amended)

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. The amendments require retrospective application. The application of the amendments has had no effect on the consolidated financial statements of the Group.

Other improvements to IFRSs

The application of other improvements to IFRSs issued in 2010 has not had any material effect on the consolidated financial statements of the Group.

Standards and Interpretations issued but not yet effective

The following new and revised IASB Standards and IFRIC Interpretations have been issued but are not yet effective and have not been early adopted by the Group:

For annual periods beginning on or after 1 July 2011

IFRS 7: Financial Instruments: Disclosures

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

For annual periods beginning on or after 1 January 2012

IAS 1: Financial Statement Presentation

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

For annual periods beginning on or after 1 January 2013.

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27: Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11: Joint Arrangements

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31: Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures.

IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IFRS 13: Fair Value Measurement

IFRS 13 Fair Value Measurement replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

For annual periods beginning on or after 1 January 2015

IFRS 9: Financial Instruments: Classification and Measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

under local regulatory review for early adoption in the State of Kuwait.

2-2-1 BASIS OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between

- the aggregate of the fair value of the consideration received and the fair value of any retained interest and
- the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Any related accumulated items in equity will be accounted for as if the Company had directly disposed of the relevant assets (reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting.

BUSINESS COMBINATIONS

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised immediately in the profit or loss. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group reclassifies all amounts previously recognised in other comprehensive income in relation to that associate to profit or loss when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2-3 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note (3).

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment.

AVAILABLE FOR SALE (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note (3).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

IMPAIRMENT IN VALUE

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

DERECOGNITION

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

FINANCIAL LIABILITIES

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

DERECOGNITION

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2-4 LAND AND REAL ESTATE UNDER DEVELOPMENT

Land and real estate under development are recognized at cost, which includes development cost. When the development process is completed, the land and real estate are classified either as investment properties or land and real estate held for trading according to the management's intention regarding the future use of these properties.

2-5 LAND HELD FOR TRADING

Land and real estate acquired for resale are classified as held for trading and carried out at cost, cost is determined according to each cost of land or real estate individually as the cost is represented in the fair value for the consideration plus ownership transferring expenses. Land and real estate held for trading are classified within current assets and carried out at the lower of cost and net realizable value. Net realizable value is the estimated selling price less estimating selling costs.

2-6 PROPERTY AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

2-7 IMPAIRMENT IN TANGIBLE ASSETS

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2-8 PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2-9 END OF SERVICE INDEMNITY

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2-10 TREASURY SHARE

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2-11 REVENUE RECOGNITION

Gain on sale of investments is recognised at the completion of the transaction. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis based on the maturity dates of the related assets by using the effective yield method. Management and subscription fees are recognized when the services are provided.

2-12 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

THE GROUP AS LESSOR

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

THE GROUP AS LESSEE

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2-13 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2-14 FOREIGN CURRENCIES

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Company's functional and the Group's presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

GROUP COMPANIES

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

Income and expenses for each income statement are translated at average exchange rates.

All resulting exchange differences are recognized as a separate component of equity.

2-15 DIVIDENDS

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2-16 FIDUCIARY ASSETS

Assets which are kept by the Group as an agency or under a fiduciary capacity are not considered as Group's assets.

2-17 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3- FINANCIAL RISK MANAGEMENT

3-1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk, credit risk and liquidity risk.

A. MARKET RISK

Foreign currency risks

The Group is exposed to the risk of foreign currency resulting primarily from dealing in financial instruments with US Dollar. The risk of foreign exchange is resulting from future transactions on financial instruments in foreign currency recorded in the financial statements of the Group.

The Group's policies for managing foreign exchange risk, represented in the careful monitoring of changes in currency rates and its related impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advises in case of any significant change in foreign currencies' rates.

Had the US Dollar changed against the Kuwaiti Dinar by 5%, the Group's net profit and equity for the year 2011 would have changed by KD 3,872,232 as of 31 December 2011 (2010:
KD 4,433,123). Following is the significant foreign currencies' position of the as of 31 December:

	2011	2010
US$ Surplus	80,248,051	91,389,764

Fair value risk

The fair value risk arises from fluctuation of financial instrument value resulting from change in market price. The Group is exposed to the price risk as a result of holding investments classified as available for sale investments in the consolidated financial statement.

The Group is managing this risk through monitoring the market prices of these investments if they are listed in an active market, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for other investments.

The following sensitivity analysis shows the impact of the change on the indexes of the financial markets on the Group's business, as well as equity. This analysis is based on the change in the index by 5%.

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	Impact on equity	
	2011	2010
Index of the Kuwait Stock Exchange	212,060	199,089
Index of the Bahrain Stock Exchange	3,907,350	4,302,012

Interest rate risk

The interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the market interest rates. The Group's assets are not exposed to this risk as the Group does not hold financial assets bearing interests.

The Group's exposure to interest rate risk arises from loans and bank facilities bearing variable interest rates, which expose the Group to the risk of cash flow fluctuations, resulted from changes in interest rate.

The Group is managing this risk by periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group's cash flows and profits in addition to take the necessary action in order to meet the possibility of these probability.

Has the interest rates increased by 0.5%, the net profit would have decreased by KD 126,734 as of 31 December 2011 (2010: KD 131,583)

B. CREDIT RISK

Credit risk is the risk that the Group will incur a loss because the counterparties of financial instruments failed to discharges their contractual obligations.

Credit risk is managed by the level of the Group by monitoring credit policy on regular basis.

Credit risk is highly concentrated in cash and cash equivalents, deposits and receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation. The group does not approve credit unless within the limits of requirements and normal course of business taking into consideration the financial position of clients and the previous history of transaction and reputation.

C. LIQUIDITY RISK

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining group of highly liquid financial investments. This facilitates to the Group, the availability of liquidity when needed. In addition, the Group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

The following is the maturity analysis of the Group's liabilities as of 31 December 2011:

	From 1 month to 3 months	From 3 months to 1 year
Liabilities		
Accounts payable	692,614	546,247
Borrowings and bank facilities	-	47,825,421
	692,614	48,371,668

The following is the maturity analysis of the Group's liabilities as of 31 December 2010:

	From 1 month to 3 months	From 3 months to 1 year
Liabilities		
Accounts payable	612,941	893,691
Borrowings and bank facilities	36,472,712	22,296,902
	37,085,653	23,190,593

3-2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group comprising issued capital, reserves, retained earnings.

The Group has a target gearing ratio of 25% - 35% determined as the proportion of net debt to equity.

The gearing ratio as of 31 December 2011:

	2011	2010
Total loans	45,194,852	56,090,110
Less: cash and cash equivalents	(6,802,378)	(5,926,167)
Net debt	38,392,474	50,163,943
Total equity	93,987,359	100,378,501
Total capital	132,379,833	150,542,444
Gearing ratio	29.0%	33.3%

3-3 FAIR VALUE ESTIMATION

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market prices.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level one: Quoted prices in active markets for identical assets or liabilities.

Level two: quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.

Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below represents the financial instrument's analysis that recorded at fair value on the levels above mentioned:

	2011		Total
	Level one	Level two	
Assets			
Investments available for sale	82,388,203	8,632,521	91,020,724

	2010		Total
	Level one	Level two	
Assets			
Investments available for sale	90,022,006	8,578,807	98,600,813

4- CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4-1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Evidence of impairment of investments

Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. (Note 7) shows the impact of this estimate on the consolidated financial statements.

Impairment of associates

Estimation of impairment of an associate is made when there is an indicator for this impairment. The assessment is made for the entire carrying amount of the Group's investments in associate including goodwill, accordingly, impairment testing of goodwill is not prepared independently. Impairment and reversal of those losses are recognized in the consolidated statement of income.

5- CASH AND CASH EQUIVALENTS

	2011	2010
Current accounts at banks	1,486,997	3,953,621
Time deposits	5,312,944	1,972,046
Cash on hand	2,437	500
	6,802,378	5,926,167

The weighted average interest rate on time deposits is 1% as of 31 December 2011 (2010: 1.5%).

6- ACCOUNTS RECEIVABLE

	2011	2010
Due from sale of land held for trading	1,261,400	-
Paid for establishment of associate	500,000	-
Due from portfolios customers	14,836	30,334
Prepaid expenses	75,130	80,508
Due from related parties (note 20)	137,426	602,369
Others	209,044	223,036
	2,197,836	936,247

Accounts receivables do not include impaired balances as of 31 December 2011 / 2010.

7- INVESTMENTS AVAILABLE FOR SALE

	2011	2010
Investment in foreign securities – quoted	78,147,003	86,040,235
Investment in local securities – quoted	4,241,200	3,981,771
Investment in local securities – unquoted	5,758,568	5,647,079
Investment in foreign securities – unquoted	2,873,953	2,931,728
	91,020,724	98,600,813

7-1 Certain investments available for sale are pledged against loans and bank facilities (note 12)

7-2 Unquoted available for sale investments are carried at cost less impairment loss as their fair values could not be reliably determined. Impairment losses amounted to KD 694,796 have been recorded based on internal studies prepared by the management (note 18).

7-3 Following is the analysis of investments for sale by currencies as of 31 December:

	2011	2010
US Dollar	80,169,206	88,061,412
Kuwaiti Dinar	10,780,968	10,468,851
Other currencies	70,550	70,550
	91,020,724	98,600,813

8- INVESTMENTS IN ASSOCIATES

Company's name	Country of incorporation	Ownership %	2011	2010
Al Manshar Real Estate Co. (K.S.C.C.)	Kuwait	50%	14,974,655	14,317,411
Boyoo' Leasing and Finance Co. (K.S.C.C.)	Kuwait	-	-	3,893,366
Tamdeen Holding Co. (K.S.C.C.)	Kuwait	25%	6,475,532	6,756,667
Tamdeen Residence Co. (K.S.C.C.)	Kuwait	20%	211,026	211,704
Tamdeen Emtiazat Holding (K.S.C.H)	Kuwait	20%	6,098,580	6,212,476
			27,759,793	31,391,624

8-1 The Group's share in the associates' profits amounting to KD 469,257 were recorded based on the unaudited financial statements prepared by the managements of those associates for the year ended 31 December 2011 (2010: KD 1,629,258).

8-2 The associate companies are not listed in active markets. Following is a summary of the financial statements of those associates based on the latest available financial statements:

Company's name	Total assets	Total liabilities	Total revenue	Net profit
Al Manshar Real Estate Co. (K.S.C.C.)	72,322,864	42,373,553	5,177,787	1,350,026
Tamdeen Holding (K.S.C.C.)	30,059,270	4,076,686	331,310	(151,194)
Tamdeen Residence (K.S.C.C.)	1,063,418	8,289	11,507	(386)
Tamdeen Emitiyazat Holding (K.S.C.C)	44,566,201	14,041,139	584,440	(641,625)

8-3 During the period, the Group sold its entire share in Boyo'a Ijara and Finance Company - KSCC, resulted in a profit of KD 2,629,623 recorded in the consolidated statement of income for the year ended 31 December 2011.

9- LANDS HELD FOR TRADING

Land held for trading represents free lands in Kuwait carried at cost. During the year, the Group sold land held for trading amounting to KD 8,643,256 resulting gain of KD 214,912 have been recorded in the consolidated statement of income for the year ended 31 December 2011.

Land held for trading are pledged against loans and bank facilities (note 12).

10- REAL ESTATE UNDER DEVELOPMENT

During the year, the Group has recorded impairment losses for a property under development of
KD 500,000 based on internal studies prepared by the management (note 18).

11- ACCOUNTS PAYABLE

	2011	2010
Accrued expenses	528,700	494,017
Contribution to Kuwait Foundation for Advancement of Science	23,013	16,190
National Labour Support Tax	75,810	85,019
Zakat	26,312	17,715
Due to related parties (note 20)	38,809	469,808
Others	462,346	423,883
	1,154,990	1,506,632

12- LOANS AND BANK FACILITIES

	2011	2010
Short term borrowings	45,000,000	45,000,000
Bank facilities	194,852	11,090,110
	45,194,852	56,090,110
Average interest rate on borrowings	4.89%	4.78%

12-1 All borrowings and bank facilities bearing floating interest rates.

12-2 The following assets have pledged as a guarantee for the loans and bank facilities:

	2011	2010
Available for sale investments	75,878,722	84,236,875
Lands held for trading	11,363,778	-
	87,242,500	84,236,875

12-3 All bank facilities are matured during one year from the date of the consolidated financial statements.

13- SHARE CAPITAL

The authorized, issued and fully paid capital of the Company is amounted to KD 31,185,000 distributed over 311,850,000 shares of 100 fils each as of 31 December 2011 and 2010.

14- TREASURY SHARES

	2011	2010
Number of shares (share)	13,950,000	10,190,000
Percentage to issued shares (%)	4.48	3.27
Market value	2,176,200	2,649,400

15- STATUTORY RESERVE

In accordance with the Commercial Companies Law and the Parent company's Articles of Association, 10% of the net profit for the year before board of directors' remuneration, Kuwait Foundation for Advancement of Science share, National Labour Support Tax and Zakat, is required to be transferred to statutory reserve. The General Assembly may resolve to discontinue such annual transfer when the reserve balance reaches 50% of the share capital of Parent Company. This reserve is used to secure appropriation of profit to shareholders, up to 5% in such years where the profit of the Parent Company does not allow such percentage of appropriation. When the balance of the reserve exceeds 50% of the share capital, the General Assembly, is permitted to utilized amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Parent Company and its shareholders.

16- DIVIDENDS

On 18 April 2011, the General Assembly for shareholders of the Parent Company approved the financial statements for the year ended 31 December 2010 and also approved cash dividends of 6% (6 fils per share).

On 29 March 2012, the Parent Company's Board of Directors proposed to distribute cash dividends of 7% (7 fils per share). The proposal is subject to the shareholder's approval.

17- GAINS FROM INVESTMENTS AVAILABLE FOR SALE

	2011	2010
Cash dividends	3,261,993	2,777,175
Gain on sale	1,203,448	2,488,005
	4,465,441	5,265,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

18- IMPAIRMENT LOSSES

	2011	2010
Impairment of investments available for sale (note 7)	694,796	-
Impairment of properties under development (note 10)	500,000	-
	1,194,796	-

19- EARNINGS PER SHARE

Earnings per share are calculated based on net profit attributable to shareholders and the weighted average number of common shares outstanding during the year. The following is the computation of earnings per share:

	2011	2010
Net profit for the year	3,124,247	3,440,249
Weighted average No. of outstanding shares (share)	299,019,384	302,809,438
Earnings per share (fils)	10.45	11.36

20- RELATED PARTIES TRANSACTIONS

Related parties are the shareholders of Parent Company who are represented in board of directors as well as major shareholders and the companies in which any of its members is in the same time a board member in the Parent Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried some transactions during the year with related parties. The transactions which are included in the financial statements as follows:

	2011	2010
Transactions		
Management fees	51,407	100,473
Subscription and consulting fees	9,833	20,000
Other income	433,400	262,500
Sale of lands held for trading	2,607,400	-
Salaries and bonus for executive management	147,765	114,807

	2011	2010
Statement of financial position		
Accounts receivable (note 6)	137,426	602,369
Accounts payable (note 11)	38,809	469,808
Off balance sheet items		
Net assets of clients, portfolios (major shareholders)	36,471,005	52,383,894

21- GEOGRAPHICAL SEGMENT ANALYSIS FOR ASSETS AND LIABILITIES

The management has determined segments based on the reports reviewed by the executive management of the Group.

The executive management has taken into consideration dividing the activities geographically, as the main activity of the Company is investment, geographical segment is as follows:

	2011		
	Kuwait	G.C.C.	Total
Segment revenue	4,513,047	4,137,714	8,650,761
Segment expenses	5,526,514	-	5,526,514
Assets	57,427,047	82,994,025	140,421,072
Liabilities	46,433,713	-	46,433,713

	2010		
	Kuwait	G.C.C.	Total
Segment revenue	2,911,584	5,040,180	7,951,764
Segment expenses	4,511,515	-	4,511,515
Assets	69,089,037	88,978,629	158,067,666
Liabilities	57,689,165	-	57,689,165

22- OFF BALANCE SHEET ITEMS

The Group manages portfolios for clients, amounting KD 157,829,686 as of 31 December 2011 (2010 - KD 254,414,887).