2012 ANNUAL REPORT

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

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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

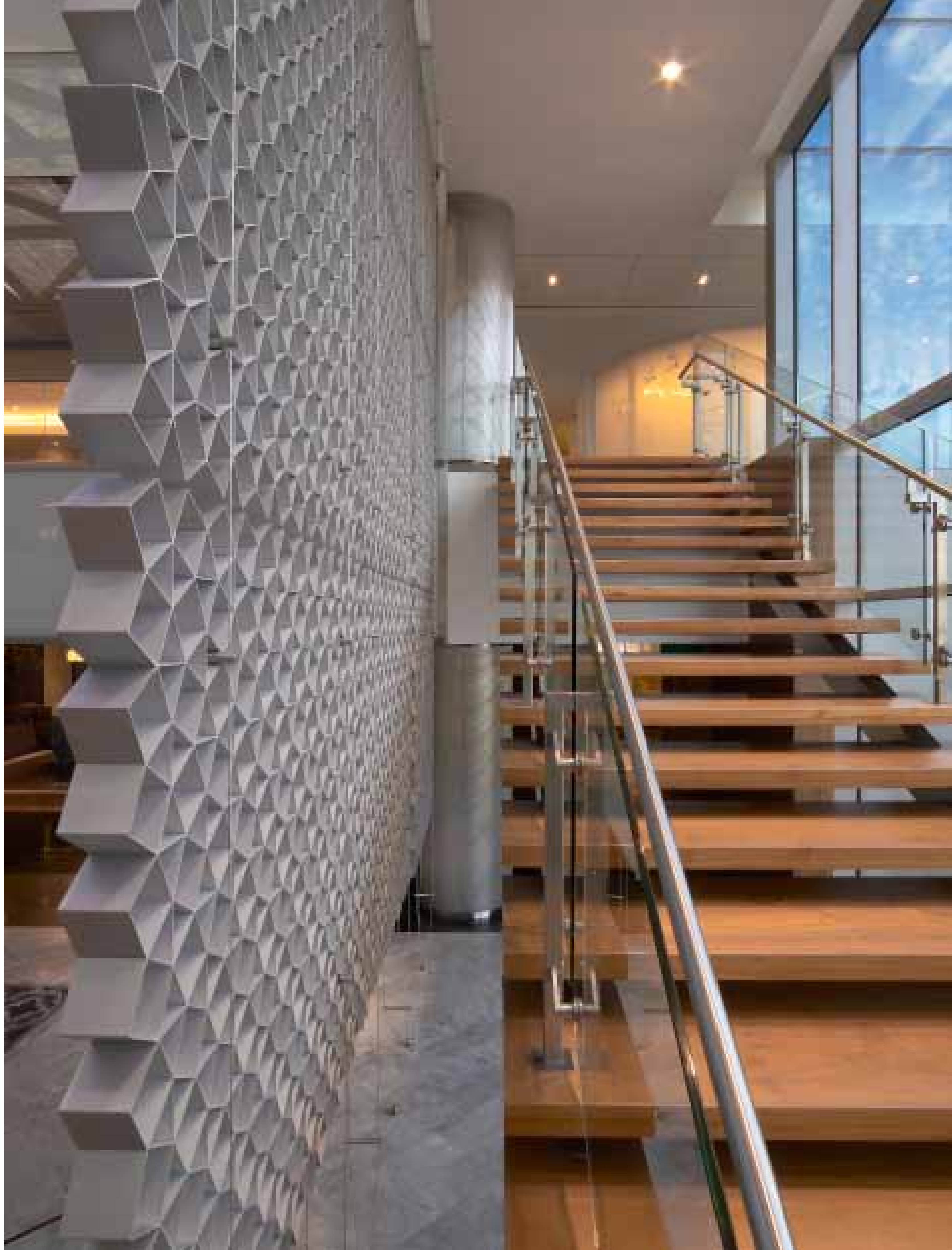
Meshal Jassim Al Marzouq
CHAIRMAN & CEO

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



CHAIRMAN'S LETTER

ESTEEMED SHAREHOLDERS,

GREETINGS

ON BEHALF OF MY FELLOW MEMBERS OF THE BOARD OF DIRECTORS OF TAMDEEN INVESTMENT COMPANY AND MYSELF, I AM PLEASED TO PRESENT TO YOU THE FIFTEENTH ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012.

HONORABLE SHAREHOLDERS

THE YEAR 2012 ENDED WITH A WIDE DIFFERENCE IN THE PERFORMANCE OF THE GLOBAL AND GCC MARKETS: THE REGION'S MARKETS HAD A POSITIVE PERFORMANCE AT THE BEGINNING OF THE YEAR COINCIDING WITH THE DECLARATION OF THE FINANCIAL RESULTS AND DISTRIBUTIONS, LEADING TO A SURGE IN THE FINANCIAL INDICATORS. HOWEVER, THOSE GAINS WERE SOON DISSIPATED AS A RESULT OF THE NEGATIVE NEWS AND SUCCESSIVE CRISES THAT ROCKED THE EUROZONE COUNTRIES DURING THE SECOND QUARTER OF 2012.

HONORABLE SHAREHOLDERS,

In the beginning of the second half of the year, the GCC markets resumed their upward trend amid positive reports concerning the Europe debt crisis. However, profit-taking operations prevailed in the markets of the region during the fourth quarter, particularly with the outbreak of the financial precipice crisis in the United States toward the end of the year.

The wide variance in performance during the year was reflected in the indicators of the GCC markets, with the Dubai market index rising by around 20%, Abu Dhabi by 9.5%, Saudi Arabia 6%, Kuwait 2% and Muscat 1% during the year over their respective levels at the end of 2011. The Qatar and Bahrain indices fell by 5% and 7% respectively during the year.

HONORABLE SHAREHOLDERS,

Despite the continuing economic instability, Tamdeen Investment Company, succeeded during 2012 to reduce its bank loans and facilities by KD 15.2 million, representing 33% of the Company's total loans. This should have a positive effect on the company's results through reduced financing burdens. The company sold its real estate investments at Sabah Al-Salem district for KD 11.6 million, thereby achieving a profit of KD 256,000. The Board of Directors continued to implement its conservative financial policy, pursuant to which the Company made additional support provisions in the amount of KD 225,000 during the year on its unlisted investments. The Board of Directors will, throughout the year of 2013, seek to grow and preserve the Company's assets and continue to reduce its loans and facilities.

As evidenced by the company's financial statements, Tamdeen Investment Company continued to achieve profits, showing a net profit of KD 3.9 million in 2012 compared to KD 3.1 million in 2011, representing an earning per share of 13.16 Fils for 2012 against 10.45 Fils in 2011.

Emphasizing the success of the company's policies and its progress toward achieving its adopted objectives, the Board of Directors is pleased to recommend to the General Assembly the distribution of a cash dividend of 8% of the nominal value of each share (8 Fils per share) for the financial year ended 31 December 2012.

HONORABLE SHAREHOLDERS,

I take this opportunity, for myself and on behalf of the Board of Directors, to present the expression of our deepest thanks and gratitude to His Highness the Amir, Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, to His Highness the Crown Prince, Sheikh Nawwaf Al-Ahmed Al-Jaber Al-Sabah. We are both thankful and grateful to our shareholders for their continued confidence and valuable support.

In conclusion, I would like to thank my colleagues on the Board of Directors and all the company's employees for their effective efforts that have been quite instrumental in enabling the company to achieve the results it did in 2012.

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.P.S.C., "the Company" and its subsidiaries (together referred to as the Group) which comprise the consolidated statement of financial position as of 31 December 2012, 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 about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 2012, and 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 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 the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Commercial Companies Law no. 25 of 2012, and by the 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 no. 25 of 2012, or the Company's Articles of Association have occurred during the year ended 31 December 2012 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 2012.

Bader A. Al-Wazzan

(Licence No. 62A)

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

Kuwait, 5 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 2012
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2012	2011
Assets			
Cash and cash equivalents	5	2,242,946	6,802,378
Accounts receivable	6	783,227	2,197,836
Investments available for sale	7	82,330,250	91,020,724
Investments in associates	8	32,431,391	27,759,793
Land held for trading		-	11,363,778
Real estate under development		-	699,678
Properties and equipment		328,515	576,885
Total assets		118,116,329	140,421,072
Liabilities and equity			
Liabilities			
Accounts payable	9	2,328,066	1,154,990
Loans and bank facilities	10	29,933,541	45,194,852
End of service indemnity		74,857	83,871
Total liabilities		32,336,464	46,433,713
Equity			
Share capital	11	31,185,000	31,185,000
Share premium		10,000,000	10,000,000
Treasury shares	12	(2,394,959)	(2,353,927)
Gain on sale of treasury shares		240,466	240,466
Statutory reserve	13	3,625,485	3,213,068
Change in fair value reserve		30,534,970	40,009,496
Group's share in associates' reserves		(1,526,360)	(988,603)
Retained earnings		14,103,780	12,681,859
Equity attributed to shareholders		85,768,382	93,987,359
Non-controlling interest		11,483	-
Total equity		85,779,865	93,987,359
Total liabilities and equity		118,116,329	140,421,072

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 2012
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2012	2011
Revenues			
Gains from investments available for sale	15	5,980,451	4,465,441
Gains from sale of investment in an associate	8	-	2,681,558
Group's share from associates' results	8	794,355	469,257
Gain from sale of land held for trading		256,534	214,912
Management fees		102,204	83,043
Loss from sale of a subsidiary	19	(112,831)	-
Other revenue		511,364	736,550
		7,532,077	8,650,761
Expenses and other charges			
Staff costs		496,253	612,363
Other expenses		776,877	889,926
Finance costs		1,987,398	2,534,676
Impairment losses	16	224,625	1,194,796
Foreign exchange differences		(77,440)	119,618
		3,407,713	5,351,379
Net profit for the year before deductions		4,124,364	3,299,382
Board of Directors' remuneration		50,000	50,000
Kuwait Foundation for Advancement of Science		29,151	23,013
National Labour Support Tax		95,525	75,810
Zakat expense		30,551	26,312
Net profit for the year		3,919,137	3,124,247
Distributed as follows:			
Company's shareholders		3,918,938	3,124,247
Non-controlling interest		199	-
		3,919,137	3,124,247
Earnings per share to the Company's shareholders (fils)	17	13.16	10.45

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

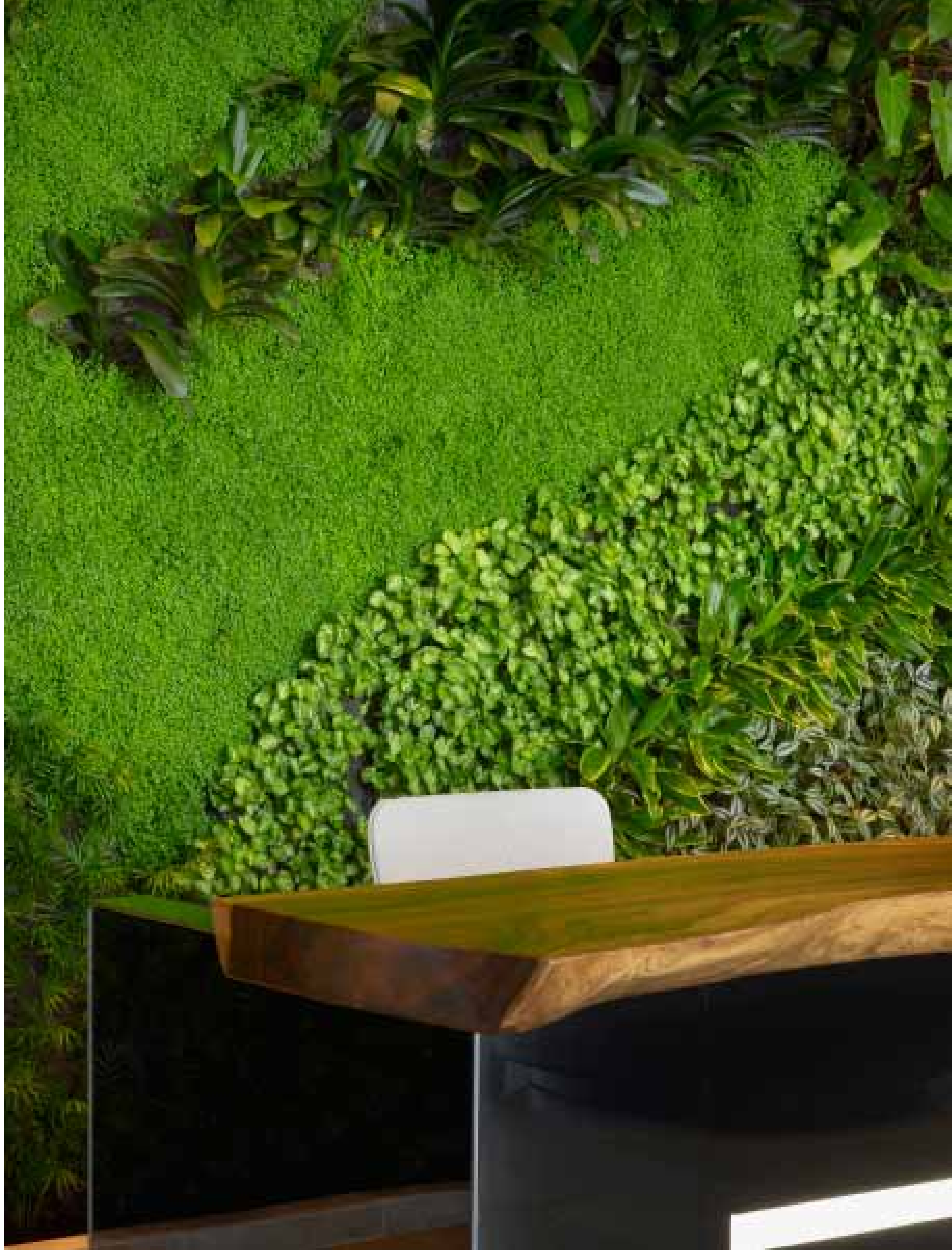
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	2012	2011
Net profit for the year	3,919,137	3,124,247
Other comprehensive income item		
Transferred to the statement of income on sale of investments available for sale	(2,072,494)	(1,096,447)
Change in fair value of investments available for sale	(7,402,032)	(5,816,326)
	(9,474,526)	(6,912,773)
Transferred to statement of income on sale of an associate	-	(27,068)
Group›s share in associates› reserves	(537,757)	(197,305)
Total other comprehensive income	(10,012,283)	(7,137,146)
Total comprehensive income for the year	(6,093,146)	(4,012,899)
Distributed as follows:		
Company's shareholders	(6,093,345)	(4,012,899)
Non-controlling interest	199	-
	(6,093,146)	(4,012,899)

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	Equity attributed to the Company's shareholders										
	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	Non-controlling interest	Total equity
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	-	100,378,501
Net profit for the year	-	-	-	-	-	-	-	3,124,247	3,124,247	-	3,124,247
Other comprehensive income items											
Transferred to statement of income from sale of available for sale investments	-	-	-	-	-	(1,096,447)	-	-	(1,096,447)	-	(1,096,447)
Change in fair value of available for sale investments	-	-	-	-	-	(5,816,326)	-	-	(5,816,326)	-	(5,816,326)
Transferred to statement of income from sale of an associate	-	-	-	-	-	-	(27,068)	-	(27,068)	-	(27,068)
Group's share in associates' reserves	-	-	-	-	-	-	(197,305)	-	(197,305)	-	(197,305)
Total other comprehensive income items	-	-	-	-	-	(6,912,773)	(224,373)	-	(7,137,146)	-	(7,137,146)
Purchase of treasury shares	-	-	(788,623)	-	-	-	-	-	(788,623)	-	(788,623)
Sale of treasury shares	-	-	178,682	29,298	-	-	-	-	207,980	-	207,980
Cash dividends	-	-	-	-	-	-	-	(1,797,600)	(1,797,600)	-	(1,797,600)
Transferred to statutory reserve	-	-	-	-	329,938	-	-	(329,938)	-	-	-
Balance as at 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	-	93,987,359

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	Equity attributed to the Company's shareholders										
	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	Non-controlling interest	Total equity
Balance as of 1 January 2012	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	-	93,987,359
Net profit for the year	-	-	-	-	-	-	-	3,918,938	3,918,938	199	3,919,137
Other comprehensive income items											
Transferred to statement of income from sale of available for sale investments	-	-	-	-	-	(2,072,494)	-	-	(2,072,494)	-	(2,072,494)
Change in fair value of available for sale investments	-	-	-	-	-	(7,402,032)	-	-	(7,402,032)	-	(7,402,032)
Group's share in associates' reserves	-	-	-	-	-	-	(537,757)	-	(537,757)	-	(537,757)
Total other comprehensive income items	-	-	-	-	-	(9,474,526)	(537,757)	-	(10,012,283)	-	(10,012,283)
Purchase of treasury shares	-	-	(41,032)	-	-	-	-	-	(41,032)	-	(41,032)
Cash dividends (note 14)	-	-	-	-	-	-	-	(2,084,600)	(2,084,600)	-	(2,084,600)
Sale of share in a subsidiaries	-	-	-	-	-	-	-	-	-	11,284	11,284
Transferred to statutory reserve	-	-	-	-	412,417	-	-	(412,417)	-	-	-
Balance as at 31 December 2012	31,185,000	10,000,000	(2,394,959)	240,466	3,625,485	30,534,970	1,526,360	14,103,780	85,768,382	11,483	85,779,865

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

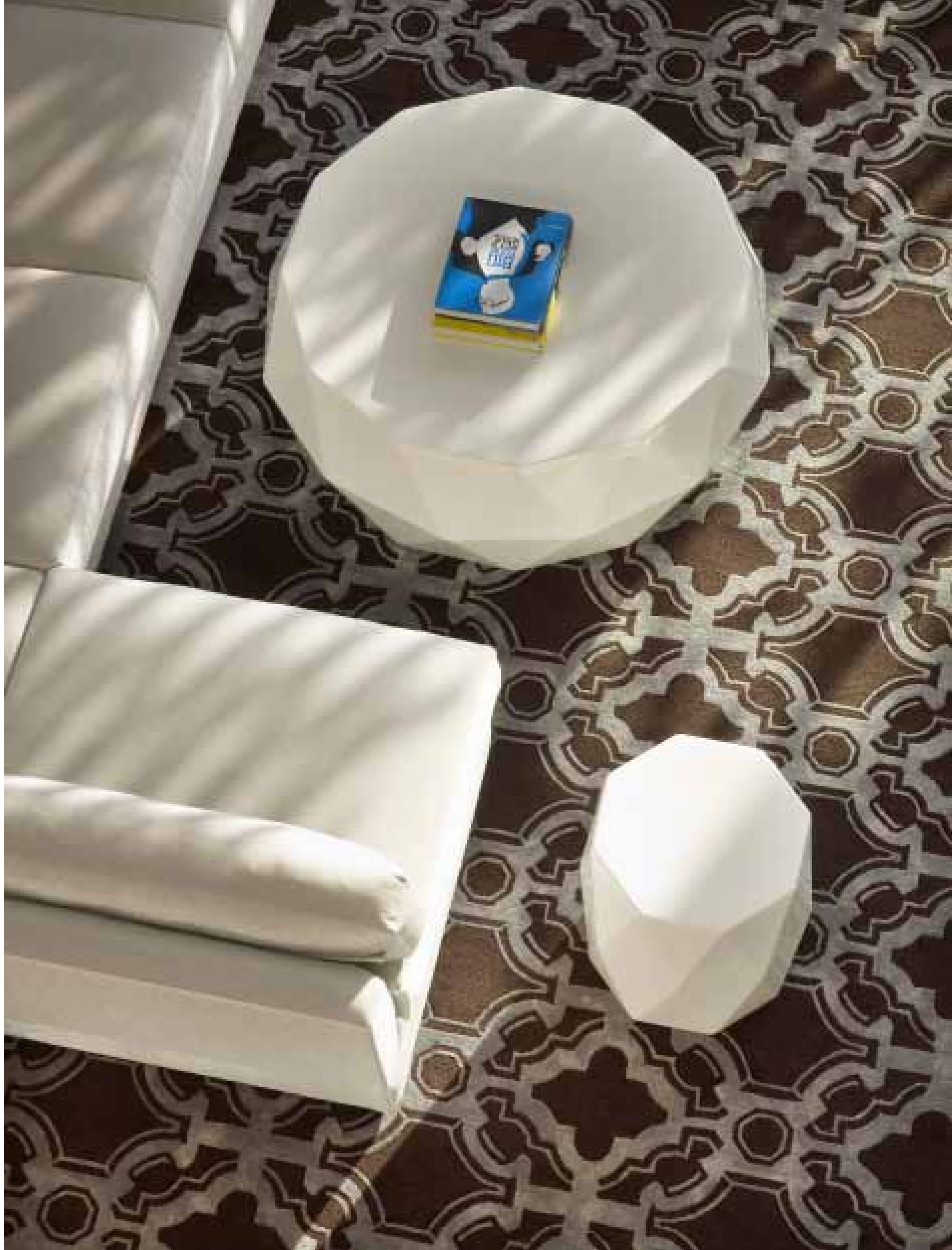
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2012	2011
Cash flows from operating activities			
Net profit for the year		3,919,137	3,124,247
Adjustments:			
Gains from investments available for sale	15	(5,980,451)	(4,465,441)
Gain from sale of investment in an associate		-	(2,681,558)
Group›s share from associate›s result		(794,355)	(469,257)
Loss from sale of a subsidiary		112,831	-
Impairment losses		224,625	1,194,796
Credit interest		(41,693)	(49,874)
Finance costs		1,987,398	2,534,676
Depreciation		44,912	107,262
End of service indemnity		30,730	24,778
Operating loss before changes in operating assets and liabilities		(496,866)	(680,371)
Land held for trading		11,363,778	7,325,325
Accounts receivable		695,359	(189)
Accounts payable		1,823,799	(603,697)
End of service indemnity paid		-	(33,330)
Net cash generated from operating activities		13,386,070	6,007,738
Cash flows from investing activities			
Paid for purchase of investments available for sale		(4,397,666)	(1,506,949)
Proceeds from sale of investments available for sale		5,562,314	2,645,491
(Paid)/ proceeds from purchase and sale of additional shares in an associates		(3,915,000)	6,595,699
Paid for land and real estate under development		(69,665)	(217,417)
Paid for purchase of properties and equipment		(119,896)	(404,096)
Proceeds from sale of properties and equipment		165,615	-
Net cash proceeds from disposal of a subsidiary	19	341,133	-
Cash dividends received		3,818,376	3,261,993
Credit interest received		41,370	49,874
Net cash generated from investing activities		1,426,581	10,424,595
Cash flows from financing activities			
Cash dividends paid		(2,084,600)	(1,797,600)
Paid for purchase of treasury shares		(41,032)	(788,623)
Proceeds from sale of treasury shares		-	207,980
Paid for loans and bank facilities		(15,261,311)	(10,895,258)
Finance costs paid		(1,985,140)	(2,282,621)
Net cash used in financing activities		(19,372,083)	(15,556,122)
(Decrease)/ increase in cash and cash equivalents		(4,559,432)	876,211
Cash and cash equivalents at the beginning of the year		6,802,378	5,926,167
Cash and cash equivalents at the end of the year	5	2,242,946	6,802,378

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



1- BACKGROUND

Tamdeen Investment Company - KSCC "the Company" was incorporated in Kuwait as per incorporation memorandum No. 359, Vol. 1 dated 3 March 1997. The 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 Company's shares have been listed in the Kuwait Stock Exchange. The Head office of the Company is located in South Al Sura – Al Zahraá area – 360 Mall– 6th ring road – 4th floor, Kuwait, Box No. 22509 Safat – 13066 Kuwait.

These consolidated financial statements include the financial statements of the company and its subsidiaries as mentioned in (note 19), together referred to as the "Group".

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. And conducting all kinds of investment in real estates for the purpose of development except for areas and houses for private residential purposes, whether directly or indirectly, in favour of the company or others.

The Parent Company is owned with a percentage of 51.37% by Tamdeen Real Estate Company – K.S.C. (Closed) as of 31 December 2012 (2011: 51.37%).

On 26 November 2012, the Companies law No. 25 of 2012 has been issued and published in the official gazette on 29 November 2012 to replace the Commercial Companies law No. 15 of 1960. The new Law is effective from the date of its publishing in the official gazette. Companies should make necessary arrangements to be in compliance with provisions of the new law within six months from its effective date.

The company is currently taking the necessary procedures in this respect.

The consolidated financial statements have been authorized for issue by the board of directors on 5th of March 2013.

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 NEW AND REVISED STANDARDS

New and revised IFRSs issued and effective

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group'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 the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

IAS 12 Deferred Taxes - Recovery of Underlying Assets

Under the amendments, investments properties that are measured using the fair value model in accordance with IAS 40 are presumed to be recovered entirely through sale for the purpose of measuring deferred taxes unless the presumption is rebutted. This amendment has no impact on the group's financial statements.

New and revised IFRSs in issue but not yet effective

- IFRS 7: Financial Instruments: Disclosures
- IFRS 9: Financial Instruments: Classification and Measurement
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosures of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- IAS 1: Presentation of Financial Statements
- IAS 19: Employee Benefits
- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates and Joint Ventures
- IAS 32: Financial Instruments: Presentation

The Group has not applied these new and revised IFRS. Following are the significant changes that are related to the group activities:

For annual periods beginning on or after 1 July 2012

IAS 1 Presentation of Financial Statement

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. 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 parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and of SIC-12 Consolidation – Special Purpose Entities.

Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The Group expects the application of this standard will have no significant impact on the group financial statements.

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 "Interests in Joint Ventures". The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs must be accounted for using the equity method. The standard has no significant effect on the financial statements of the Group.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

As a consequence of the new IFRS 11 and IFRS 12; IAS 28 has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The group anticipates that the application of the new standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

For annual periods beginning on or after 1 January 2014

IAS 32 "Financial Instruments – Presentation" and IFRS 7 "Financial Instruments – Disclosures"

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 retrospectively. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

For annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

The Group anticipates that the application of IFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

2-3 SIGNIFICANT ACCOUNTING POLICIES

2.3.1 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

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(ii) 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.

2.3.2 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 re-measurement 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 are 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.

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.

2.3.3 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.

2.3.4 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.

2.3.5 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.

2.3.6 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.

2.3.7 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.

2.3.8 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.

2.3.9 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.

2.3.10 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.

2.3.11 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.

2.3.12 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.

2.3.13 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.

2.3.14 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.

2.3.15 Fiduciary assets

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

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 2012 would have changed by KD 3,287,103 as of 31 December 2012 (2011: KD 3,872,232).

Following is the significant foreign currencies' position of the as of 31 December:

	2012	2011
US$ Surplus	68,545,470	80,248,051

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%.

	Impact on equity	
	2012	2011
Index of the Kuwait Stock Exchange	226,619	212,060
Index of the Bahrain Stock Exchange	3,320,356	3,907,350

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.

As at 31 December 2012, the interest rates increased by 0.5%, the net profit would have decreased by KD 99,370 (2011: KD 126,734).

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 2012:

	From 1 month to 3 months	From 3 months to 1 year
Liabilities	625,334	1,777,589
Accounts payable	15,050,000	15,249,322
Borrowings and bank facilities	15,675,334	17,026,911

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	692,614	546,247
Accounts payable	-	47,825,421
Borrowings and bank facilities	692,614	48,371,668

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:

	2012	2011
Total loans	29,933,541	45,194,852
Less : cash and cash equivalents	(2,242,946)	(6,802,378)
Net debt	27,690,595	38,392,474
Total equity	85,768,382	93,987,359
Total capital	113,458,977	132,379,833
Gearing ratio	24.4	29.0

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3-3 FAIR VALUE ESTIMATION

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

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:

	2012		Total
	Level one	Level two	
Investments available for sale	70,939,503	11,390,747	82,330,250

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

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

	2012	2011
Current accounts at banks	489,691	1,486,997
Time deposits	1,752,755	5,312,944
Cash on hand	500	2,437
	2,242,946	6,802,378

he weighted average interest rate on time deposits is 1% as of 31 December 2012 (2011: 1%).

6- ACCOUNTS RECEIVABLE

	2012	2011
Due from sale of land held for trading	-	1,261,400
Paid for establishment of an associate	-	500,000
Due from customers' portfolios	21,229	14,836
Prepaid expenses	60,989	75,130
Due from related parties (note 18)	626,634	137,426
Others	74,375	209,044
	783,227	2,197,836

Accounts receivables do not include impaired balances as of 31 December 2012 / 2011.

7- INVESTMENTS AVAILABLE FOR SALE

	2012	2011
Investment in foreign securities – Quoted	66,407,121	78,147,003
Investment in local securities – Quoted	4,532,382	4,241,200
Investment in local securities – Unquoted	5,016,795	5,758,568
Investment in foreign securities – Unquoted	6,373,952	2,873,953
	82,330,250	91,020,724

7-1 Certain investments available for sale are pledged against loans and bank facilities (note 10).

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 224,625 has been recorded based on internal studies prepared by the management (note 16).

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

	2012	2011
US Dollar	68,513,744	80,169,206
Kuwaiti Dinar	10,245,956	10,780,968
Other currencies	3,570,550	70,550
	82,330,250	91,020,724

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8- INVESTMENTS IN ASSOCIATES

Company's name	Country of incorporation	Ownership %	2012	2011
Manshar Real Estate Co. (K.S.C. Closed)	Kuwait	50%	15,171,983	14,974,655
Tamdeen Holding Co. (K.S.C. Closed)	Kuwait	40%	10,105,591	6,475,532
Tamdeen Residence Co. (K.S.C. Closed)	Kuwait	20%	208,763	211,026
Tamdeen Emtiazat Holding (K.S.C. Closed)	Kuwait	20%	6,445,054	6,098,580
Gulf & Asian Holding (K.S.C. Closed)	Kuwait	20%	500,000	-
			32,431,391	27,759,793

8-1 The Group's share in the associates' results based on the unaudited financial statements prepared by the managements of those associates is amounted to KD 794,355 for the year ended 31 December 2012 (2011: 469,257) except for Gulf & Asian Holding (K.S.C. Closed) since the company has not started its operations yet.

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

Company's name	Total assets	Total liabilities	Total revenue	Net profit
Al Manshar Real Estate Co. KSCC	69,040,488	38,696,522	3,533,274	394,655
Tamdeen Holding KSCC	29,605,485	4,274,452	1,064,832	706,450
Tamdeen Residence KSCC	1,050,106	6,293	140	(11,369)
Tamdeen Emitiyazat Holding KSCC	44,809,862	12,552,432	2,462,805	1,716,438

8-3 During the year, the Group has acquired an additional shares in Tamdeen Holding Company of 15% with an amounted of KD 3,915,000 from a related party. Accordingly, the Group's share in the company becomes 40%.

9- ACCOUNTS PAYABLE

	2012	2011
Accrued expenses	319,785	528,700
Contribution to Kuwait Foundation for Advancement of Science	29,151	23,013
National Labour Support Tax	95,525	75,810
Zakat	30,551	26,312
Due to related parties (note 18)	1,702,732	38,809
Others	150,322	462,346
	2,328,066	1,154,990

10- BORROWINGS AND BANK FACILITIES

	2012	2011
Short term borrowings	27,500,000	45,000,000
Bank facilities	2,433,541	194,852
	29,933,541	45,194,852
Average interest rate on borrowings (%)	4.0	4.89

10-1 All loans and bank facilities bearing floating interest rates and dominated in Kuwaiti Dinars.

10-2 The following assets have pledged as a guarantee for the loans and bank facilities:

	2012	2011
Investments available for sale	54,070,992	75,878,722
Lands held for trading	-	11,363,778
	54,070,992	87,242,500

10-3 All bank facilities are matured during one year from the date of the consolidated financial statements.

11- 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 per share and all shares are in cash.

12- TREASURY SHARES

	2012	2011
Number of shares (share)	14,219,200	13,950,000
Percentage to issued shares (%)	4.56	4.48
Market value	2,331,949	2,176,200

13- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

14- DIVIDENDS

On 8 May 2012, the General Assembly for shareholders of the Company approved the financial statements for the year ended 31 December 2011 and also approved cash dividends of 7% (7 fils per share).

On 5th of March the Company's Board of Directors proposed to distribute cash dividends of 8% (8 Fils per share). The Proposal is subject to shareholder's approval.

15- GAINS FROM INVESTMENTS AVAILABLE FOR SALE

	2012	2011
Cash dividends	3,818,376	3,261,993
Gain on sale	2,162,075	1,203,448
	5,980,451	4,465,441

16- IMPAIRMENT LOSSES

	2012	2011
Impairment of investments available for sale (note 7)	224,625	694,796
Impairment of real estate under development	-	500,000
	224,625	1,194,796

17- 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:

	2012	2011
Net profit for the year	3,918,938	3,124,247
Weighted average number of outstanding shares (share)	297,758,319	299,019,384
Earnings per share (fils)	13.16	10.45

18- 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:

	2012	2011
Transactions		
Management fees	52,595	51,407
Subscription and consulting fees	23,300	9,833
Other income	-	433,400
Sale of lands held for trading	-	2,607,400
Salaries and bonus for executive management	130,478	147,765
Sale of shares in a subsidiary	341,133	-
Purchase of investments available for sale	3,548,800	-
Purchase of shares in an associate	3,915,000	-
Balances		
Accounts receivable (note 6)	626,634	137,426
Accounts payable (note 9)	1,702,732	38,809
Off consolidated balance sheet items		
Net assets of clients portfolios' (major shareholders)	62,026,678	36,471,005

19- SUBSIDIARIES

SubsidiariesFollowing are the consolidated statement of the subsidiaries included in consolidated financial statements:

COMPANY'S NAME:	LEGAL ENTITY	ACTIVITY	OWNERSHIP (%) 2012	2011
Al-Madina Al-Thaniya General Trading and Contracting Company	W.L.L.	General Trading and Contracting	99.9	100
Al-Madina Al-Namozagia General Trading and Contracting Company	W.L.L.	General Trading and Contracting	99.9	100
Wafra Holding Company	K.S.C. (CLOSED)	Investments	98	100
Tamdeen Consulting Company	W.L.L.	Consulting	99	100
Tamdeen first for Real Estate Trading Company	W.L.L.	Real Estate	99	100

As at 31 December 2012, total assets of the subsidiary amounted to KD 1,373,851 (31 December 2011: KD 3,169,436), and its income amounted to KD 273,180 for the year ended 31 December 2012 (loss by KD 40,096 for the year ended 31 December 2011). Audited financial statements were approved when consolidating the subsidiaries as at 31 December 2012.

19-1 During the year ended 31 December 2012, the Parent Company has sold 97.75% of Al Adiyat International Real Estate Company for KD 488,750 to a related party. And the remaining investment balance has been transferred to available for sale investments. This transaction has resulted in a loss on sale of KD 112,831 recognized in the consolidated statement of income for the year ended 31 December 2012.

The following is an analysis of the subsidiary's assets and liabilities at the date of disposal

Assets	
Cash and cash equivalents	158,901
Accounts receivable	219,573
Real estate under development	769,343
Property and equipments	157,739
Total assets	1,305,556
Liabilities	
Accounts payable	(652,981)
End of service indemnity	(39,744)
Total liabilities	(692,725)
Net assets	612,831
Transferred to investments available for sale	(11,250)
Group's share in net asset disposed	601,581
Consideration received	(488,750)
Loss on sale of a subsidiary	112,831

Cash generated from disposal of a subsidiary as of the disposal date:

Consideration received	488,750
Less: cash and cash equivalent of a subsidiary	(158,901)
Net cash generated from disposal of a subsidiary	329,849

19-2 During the year, certain immaterial equity shares in certain subsidiaries have been sold to related parties for an amount of KD 11,284, which is equivalent to the book value of such shares at the disposal date.

20- 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:

	2012		
	Kuwait	G.C.C.	Total
Segment revenues	1,857,634	5,674,443	7,532,077
Segment expenses	3,612,490	-	3,612,940
Assets	44,593,150	73,523,179	118,116,329
Liabilities	32,336,464	-	32,336,464

	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

21- OFF CONSOLIDATED BALANCE SHEET ITEMS

The Group manages portfolios for clients of KD 162,937,498 as of 31 December 2012 (2011: KD 157,829,686).