نــــور للإستثمار
Noor Investment

Annual Report 2012

Noor Financial Investment Company KSC (Closed) and Subsidiaries

Noor Corporate Office
Intersection of Jahra Street & Airport Road
Shuwaikh, Kuwait
P.O. Box 3311 Safat, 13034 Kuwait

Tel: +965 181 80 80
Fax: +965 24929561/2
email: info@noorinvestment.com

www.noorinvestment.com

Noor Financial Investment Company - KSC (Closed)

Annual Report

2012

His Highness Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

His Highness Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

His Highness Sheikh

Jaber Al-Mubarak Al-Hamad Al-Sabah

Prime Minister of the State of Kuwait

Investment Properties
Noor is building an attractive portfolio of cash-yielding investment properties in Kuwait

Contents

Board of Directors

Abdullatif A. Al-Asfour
Chairman & Managing Director

Abdulghani M. Behbehani
Deputy Chairman

Sheikh Khalifah A. K. Al-Sabah
Board Member

Reyadh S. Edrees
Board Member

Faisal A. Al-Nassar
Board Member

  

Noor Heights – Egypt
Development has started on this project in a sought after suburb of Cairo

Executive Management

Abdullatif A. Al-Asfour
Chairman & Managing Director

Gururaj Rao
Executive Vice President & Chief Investment Officer

Nauman S. Sehgal
Executive Vice President & Chief Operating Officer

Catherine Pfeiffer
Senior Vice President & Head of Alternative Investments

Chairman's Message

Dear Valued Shareholders,

On behalf of myself and my colleagues, the members of The Board of Directors of Noor Financial Investment Company, I am pleased to present to you the annual report for the financial year ended 31 December 2012.

Through the execution of Noor's new strategic plan in relation to restructuring its administration, financial, and investment units, the Company achieved positive results for the first year since the beginning of the global financial crisis in 2008. In 2012, Noor finalized the restructuring of all of its bank debt to long-term and lower cost facilities. The Company also completed a reduction in share capital for the year 2011, which has resulted in a clean balance sheet and positive financial outlook for the company.

Noor's Financial Performance

Noor achieved a net profit of KD 4.8 million for the year 2012, compared to a net loss of KD 17.7 million for the year 2011, that had contributed positively to the book value per share, which had increased by 18% and stood at 111 fils per share as at 31 December 2012, compared to 94 fils per share for the previous year (post capital reduction). The Company's gross operating income was KD 22.8 million in 2012 versus KD 6.0 million in 2011.

Due to paying down the debt and lowering the borrowing cost, the Company has recorded a 16% decrease in its finance costs compared to 2011. The comprehensive profit for the year 2012 was KD 6.8 million up from a loss of KD 23.6 million last year. Noor's balance sheet now stands at KD 219.2 million in terms of total assets down from KD 234.1 million in 2011, and total shareholders' equity of KD 40.8

million up from KD 34.3 million in 2011. As a result of the Company's restructure of its various units, including updating its policies and procedures in accordance with global best practices and new laws and regulations, the Company is focused and poised to succeed in three main business lines discussed below, Marketable Securities, Alternative Investments and Real Estate.

Marketable Securities

International equity markets, while overshadowed by the European debt crisis, saw a healthy performance, with the MSCI world index generating a return of 13.2%. Noor's international portfolio, comprising equity and fixed income securities, achieved a return of 16.9%. Local markets continued to disappoint, with the Kuwait Stock Exchange price index posting an increase of just 2.1% for the year, despite a late December 2012 rally.

Alternative Investments

Noor's largest investment outside of Kuwait, Meezan Bank, where Noor owns a 49.1% ,stake has continued its positive progress in terms of profit, growth and contribution to Noor's bottom line. Meezan Bank has a 310 branch network covering 90 cities in Pakistan, which enabled it to achieve 35% growth in total deposits in the year 2012. Continuously, Meezan Bank has achieved growth in its net profit from 2008 until 2012, with a CAGR in net profit of 54%. Additionally, it continued to make a cash and stock dividend distribution for a second year. Meezan Bank has been recognized with various awards for its business activities as the best Islamic bank in Pakistan, as well as for its corporate social responsibility contributions.

In the hospitality sector, Noor has completed the major renovation works of Amman Airport Hotel in 2012 and saw growth in guests reflecting the traffic growth at Queen Alia International Airport. Additionally, Noor has acquired a stake in a hotel in Saudi Arabia.

Noor continued strengthening strategic relationships to develop new businesses in Kuwait and the region in the energy sector.

Noor is liquidating non-strategic subsidiaries and fostering active subsidiaries and associates, such as Noor Telecommunications Company, a 51% subsidiary of Noor in the telecom and technology sector, where the Company had actively participated in its financial restructuring. Noortel posted positive results for the year 2012 and recently concluded an attractive acquisition in the information and communications technology services space. Also, Noor Kuwait LBO Fund achieved appreciation of 2.8 times its original investment in AutoMAK through a capital increase with the participation of InvestCorp, Bahrain.

Real Estate

Through its focus on expanding investment in real estate, the Company has made additional acquisitions in the investment property sector in Kuwait, which continue to provide attractive yields to the Company. Development has started on a residential project in Egypt in the prime Cairo suburb of 6th October. Noor is also developing strategic partnerships in the real estate sector to create opportunities in the GCC and abroad.

Noor 2013 Goals

In 2013, Noor will continue the implementation of the new strategic plan focusing on expanding its yielding real estate and private equity investments, with a focus on the hospitality, oil & gas and financial services sectors. It also expects more profitable exits on existing investments.

Finally, I would like to express my deep appreciation and gratitude to our esteemed shareholders for their continuous confidence, as well to the executive management and to all Noor employees for their dedicated efforts in achieving the Company's objectives.

Sincerely,

Abdullatif A. Al-Asfour
Chairman & Managing Director

Amman Airport Hotel
A 25-year concession to operate this property located next to the Queen Alia International Airport, which is benefitting from the strong traffic growth of the airport

Noor Financial Investment Company - KSC (Closed)
and Subsidiaries
Kuwait

Independent Auditors’ Report
and
Consolidated Financial Statements
31 December 2012

Contents

Grant Thornton

Al-Qatami, Al-Aiban & Partners
Auditors & Consultants

Souq Al Kabeer Building - Block A - 9th Floor

Tel: +965 22443900-9
Fax: +965 22438451
P.O.Box 2986 Safat 13030
Kuwait
www.gtkuwait.com

Deloitte.

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

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O.Box 20174, Safat 13062 or
P.O.Box 23049, Safat 13091
Kuwait
Tel: +(965) 22408844, 22438060
Fax: +(965) 22408855, 22452080
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To The Shareholders of
Noor Financial Investment Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Noor Financial Investment Company KSC (Closed) (the "Parent Company") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards adopted for use by the State of Kuwait and, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Noor Financial Investment Company KSC (Closed) and its subsidiaries as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012 and by the Parent Company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 nor of the Parent Company's Articles of Association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Parent Company.

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

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

Talal Y. Al Muzaini
Licence No. 209-A
of Deloitte & Touche,
Al-Fahad, Al-Wazzan & Co

Kuwait
27 March 2013

Consolidated Statement of Income

	Note	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Income			
Realised gain/(loss) on investments at fair value through profit or loss		**1,155,681**	(1,141,305)
Unrealised gain/(loss) on investments at fair value through profit or loss	10b	**1,049,465**	(6,259,058)
Realised gain on sale of available for sale investments		**642,755**	495,643
Change in fair value of investment properties	18	**2,166,075**	167,571
Realised gain on sale of investment properties	18	**60,000**	47,204
Dividend income		**2,516,773**	2,784,527
Management and placement fees		**904,373**	3,865,938
Interest and other income	8	**9,468,685**	2,918,338
Share of results of associates		**4,855,737**	3,069,535
Foreign exchange (loss)/gain		**(63,848)**	34,506
		22,755,696	5,982,899
Expenses and other charges			
General, administrative and other expenses	9	**4,824,661**	4,347,799
Finance costs	11	**6,712,571**	7,983,285
Impairment in value of available for sale investments	16	**5,126,916**	9,649,472
Impairment in value of accounts receivable	15	**1,063,252**	846,482
Impairment in value of investment in an associate		**-**	333,686
Effect of discounting on accounts receivable		**-**	555,748
		17,727,400	23,716,472
Profit/(loss) before KFAS, Zakat , NLST and directors' remuneration		**5,028,296**	(17,733,573)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(32,488)**	-
Provision for Zakat		**(32,580)**	-
Provision for National Labour Support Tax (NLST)		**(81,054)**	-
Directors' remuneration		**(30,000)**	-
Profit/(loss) for the year		**4,852,174**	(17,733,573)
Attributable to:			
Owners of the Parent Company		**4,518,082**	(15,153,392)
Non-controlling interests		**334,092**	(2,580,181)
		4,852,174	(17,733,573)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE	12	**12.34**	(41.38)

The notes set out on pages 22 to 59 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Profit/(loss) for the year	**4,852,174**	(17,733,573)
Other comprehensive income:		
Exchange differences arising from translation of foreign operations	**(2,213,229)**	(1,549,534)
Available for sale investments:		
- Net changes in fair value arising during the year	**(1,236,216)**	(13,855,796)
- Transferred to consolidated statement of income on sale	**(642,755)**	(283,675)
- Transferred to consolidated statement of income on impairment	**5,126,916**	9,649,472
Share of other comprehensive income of associates	**883,019**	165,958
Total other comprehensive income for the year	**1,917,735**	(5,873,575)
Total comprehensive income for the year	**6,769,909**	(23,607,148)
Total comprehensive income attributable to:		
Owners of the Parent Company	**6,553,133**	(20,513,508)
Non-controlling interests	**216,776**	(3,093,640)
	6,769,909	(23,607,148)

The notes set out on pages 22 to 59 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	31 Dec. 2012 KD	31 Dec. 2011 KD
Assets			
Cash and bank balances	13	**16,381,419**	24,604,419
Short-term deposits	13	**325,318**	531,652
Murabaha and wakala investments	13	**11,293,421**	6,881,081
Investments at fair value through profit or loss	14	**23,425,578**	25,410,548
Accounts receivable and other assets	15	**19,884,163**	36,066,153
Available for sale investments	16	**81,837,428**	79,195,140
Investment in associates	17	**44,894,829**	45,700,541
Investment properties	18	**16,745,156**	12,738,998
Property, plant and equipment		**4,428,634**	2,971,219
Total assets		**219,215,946**	234,099,751
Liabilities and equity			
Liabilities			
Due to banks	13	**-**	979,895
Accounts payable and other liabilities	20	**4,244,350**	11,984,330
Borrowings from banks and financial institutions	19	**147,456,864**	159,944,187
Provision for end of service indemnity		**299,917**	282,551
Total liabilities		**152,001,131**	173,190,963
Equity			
Share capital	21	**37,560,251**	75,000,000
Share premium	21	**3,410,573**	5,896,598
Treasury shares	22	**(3,410,573)**	(5,870,926)
Legal reserve	23	**469,420**	-
Voluntary reserve	23	**469,420**	-
Gain on sale of treasury shares		**-**	71,321
Cumulative changes in fair value		**8,961,240**	4,712,960
Foreign currency translation reserve		**(10,227,772)**	(8,014,543)
Retained earnings/(accumulated losses)		**3,579,242**	(37,536,742)
Equity attributable to the owners of the Parent Company		**40,811,801**	34,258,668
Non-controlling interests		**26,403,014**	26,650,120
Total equity		**67,214,815**	60,908,788
Total liabilities and equity		**219,215,946**	234,099,751

Abdullatif A. Al-Asfour
Chairman & Managing Director

Abdulghani M.S. Behbehani
Vice Chairman

The notes set out on pages 22 to 59 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Parent Company											
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Gain on sale of treasury shares	Cumulative changes in fair value	Foreign currency translation reserve	(Accumulated losses)/ retained Earning	Sub-total	Non-controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2012	75,000,000	5,896,598	(5,870,926)	-	-	71,321	4,712,960	(8,014,543)	(37,536,742)	34,258,668	26,650,120	60,908,788
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	-	(419,541)	(419,541)
Set off of losses (Note 21b)	(37,439,749)	(2,486,025)	2,460,353	-	-	(71,321)	-	-	37,536,742	-	-	-
Dividend paid to non-controlling interests by subsidiary	-	-	-	-	-	-	-	-	-	-	(44,341)	(44,341)
Transfer to reserves	-	-	-	469,420	469,420	-	-	-	(938,840)	-	-	-
Transactions with owners	(37,439,749)	(2,486,025)	2,460,353	469,420	469,420	(71,321)	-	-	36,597,902	-	(463,882)	(463,882)
Profit for the year	-	-	-	-	-	-	-	-	4,518,082	4,518,082	334,092	4,852,174
Total other comprehensive income for the year	-	-	-	-	-	-	4,248,280	(2,213,229)	-	2,035,051	(117,316)	1,917,735
Total comprehensive income for the year	-	-	-	-	-	-	4,248,280	(2,213,229)	4,518,082	6,553,133	216,776	6,769,909
Balance as at 31 December 2012	37,560,251	3,410,573	(3,410,573)	469,420	469,420	-	8,961,240	(10,227,772)	3,579,242	40,811,801	26,403,014	67,214,815

The notes set out on pages 22 to 59 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Parent Company									
	Share capital	Share premium	Treasury shares	Gain on sale of treasury shares	Cumulative changes in fair value	Foreign currency translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2011	75,000,000	41,728,788	(5,896,598)	109,397	8,523,542	(6,465,009)	(58,215,540)	54,784,580	48,355,910	103,140,490
Acquisition of treasury shares	-	-	(16,606)	-	-	-	-	(16,606)	-	(16,606)
Disposal of treasury shares	-	-	42,278	(38,076)	-	-	-	4,202	-	4,202
Dividend paid to non-controlling interests by subsidiary	-	-	-	-	-	-	-	-	(34,118)	(34,118)
Set off of accumulated losses	-	(35,832,190)	-	-	-	-	35,832,190	-	-	-
Net change in non-controlling interests	-	-	-	-	-	-	-	-	(18,578,032)	(18,578,032)
Transactions with owners	-	(35,832,190)	25,672	(38,076)	-	-	35,832,190	(12,404)	(18,612,150)	(18,624,554)
Loss for the period	-	-	-	-	-	-	(15,153,392)	(15,153,392)	(2,580,181)	(17,733,573)
Total other comprehensive income for the year	-	-	-	-	(3,810,582)	(1,549,534)	-	(5,360,116)	(513,459)	(5,873,575)
Total comprehensive income for the year	-	-	-	-	(3,810,582)	(1,549,534)	(15,153,392)	(20,513,508)	(3,093,640)	(23,607,148)
Balance as at 31 December 2011	75,000,000	5,896,598	(5,870,926)	71,321	4,712,960	(8,014,543)	(37,536,742)	34,258,668	26,650,120	60,908,788

The notes set out on pages 22 to 59 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
OPERATING ACTIVITIES			
Profit/(loss) before KFAS, Zakat , NLST and directors remuneration		**5,028,296**	(17,733,573)
Adjustments:			
Realised gain on sale of available for sale investments		**(642,755)**	(495,643)
Dividend income		**(2,516,773)**	(2,784,527)
Realized gain on sale of investment properties		**(60,000)**	(47,204)
Change in fair value of investment properties		**(2,166,075)**	(167,571)
Share of results of associates		**(4,855,737)**	(3,069,535)
Interest income and income from murabaha and wakala investments		**(144,496)**	(94,828)
Net effect of discounting on receivable		**(1,224,593)**	(325,533)
Reversal of Impairment provision on accounts receivable		**(4,634,934)**	-
Depreciation		**205,105**	205,262
Provision for end of service indemnity		**123,553**	52,825
Finance costs		**6,712,571**	7,983,285
Impairment in value of accounts receivable		**1,063,252**	846,482
Impairment in value of investments		**5,126,916**	9,983,158
		2,014,330	(5,647,402)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**1,984,970**	14,321,641
Accounts receivable and other assets		**5,828,265**	(4,227,306)
Accounts payable and other liabilities		**1,448,456**	11,823,340
Cash from operation		**11,276,021**	16,270,273
KFAS and NLST paid		**(30,099)**	-
Payment of end of service indemnity		**(106,187)**	-
Net cash from operating activities		**11,139,735**	16,270,273
INVESTING ACTIVITIES			
Change in blocked deposits		**(5,299,933)**	(105,000)
Proceeds from sale of available for sale investments		**11,521,321**	5,590,572
Purchase of available for sale investments		**(1,599,825)**	(2,857,761)
Investments in associates		**(125,000)**	-
Dividend received from associates		**2,044,961**	-
Dividend received from other investments		**2,516,773**	3,876,252
Proceeds from redemption of units of an associate		**2,411,278**	-
(Increase)/decrease in wakala investments		**(4,412,340)**	7,882,187
Acquisition of investment property		**(2,980,083)**	-
Proceeds from sale of investment properties		**50,000**	1,261,834
Net (acquisition)/disposal of property, plant and equipment		**(1,662,520)**	55,548
Interest income & income from murabaha and wakala investments received		**144,496**	122,563
Net cash from investing activities		**2,609,128**	15,826,195
FINANCING ACTIVITIES			
Repayments of borrowings (net)		**(12,487,323)**	(1,888,650)
Acquisition of treasury shares		**-**	(12,404)
Redemption of units by non-controlling interests of subsidiary		**(419,541)**	
Payment to subsidiary's shareholder on accounts of capital reduction		**(6,260,292)**	(10,615,080)
Dividend paid to non-controlling interest by subsidiaries		**(44,341)**	(65,030)
Dividend paid		**(42,764)**	(73,673)
Finance costs paid		**(7,243,974)**	(8,568,520)
Net cash used in financing activities		**(26,498,235)**	(21,223,357)
Net (decrease)/increase in cash and cash equivalents		**(12,749,372)**	10,873,111
Cash and cash equivalents at beginning of the year		**24,041,176**	13,168,065
Cash and cash equivalents at end of the year	13	**11,291,804**	24,041,176

The notes set out on pages 22 to 59 form an integral part of these consolidated financial statements.

Notes to the consolidated Financial Statements

1. Incorporation and activities

Noor Financial Investment Company KSC (Closed)("the Parent Company") was incorporated in Kuwait on 1 February 1997 and during May 2006 its shares were listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries are together referred to as "the Group". The Parent Company is regulated by the Central Bank of Kuwait and from 13 September 2011, also by the Capital Market Authority (CMA), as an investment company and is a subsidiary of National Industries Group Holding SAK ("the Ultimate Parent Company").

The principal objectives of the Parent Company are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission;

The Parent Company has the right to participate and subscribe, in any way, with other firms which operate in the same field or those which would assist it in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

On 29 November 2012, Companies Law No. 25 of 2012 (the Law) was published in the official gazette to supersede Law No. 15 of 1960 – the Law of Commercial Companies. Companies in Kuwait have been granted six months to comply with the Law's requirements as may be specified in the Executive Regulations. The Parent Company is taking necessary actions to ensure compliance within the specified timeframe.

The address of the The Parent Company's registered office is Basement Floor, Noor Investment Company Complex, Building 2, Block – 13, Qibla, Kuwait (PO Box 3311, Safat 13034, State of Kuwait).

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 27 March 2013. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2. Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through profit or loss, available for sale financial assets and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars (KD).

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

3. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990, as modified by the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait.

These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

4. Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year.

Notes to the consolidated Financial Statements

4.1. New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that had or is expected to have a material impact on the Group.

4.2. IASB Standards issued but not yet effective

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

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

Standard	*Effective for annual periods beginning*
IAS 1 Presentation of Financial Statements - amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements - Revised as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates - Revised as IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 32 Financial Instruments: Presentation - amendments	1 January 2014
IFRS 7 Financial Instruments: Disclosures - amendment	1 January 2013
Annual Improvements 2009 - 2011	1 January 2013

4.2.1 IAS 1 Presentation of Financial Statements

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

a) Potentially reclassifiable to consolidated statement of income in a subsequent period, and
b) That will not be reclassified to consolidated statement of income subsequently.

The Group will change the current presentation of the consolidated statement of comprehensive income when the amendment becomes effective however, it will not affect the measurement or recognition of such items.

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

As a consequence of the new IFRS 10 and IFRS 12, IAS 27 now deals only with separate financial statements.

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

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

4.2.4. IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues.

Notes to the consolidated Financial Statements

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

4.2.5. Consolidation Standards

A package of consolidation standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below. The Group's management has yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

4.2.5.1. IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. It revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the Group's existing investees at 31 December 2012.

4.2.5.2. IFRS 11 Joint Arrangements

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

4.2.5.3. IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Transition guidance for IFRS 10, 11, 12

Subsequent to issuing the new standards the IASB made some changes to the transitional provisions in IFRS 10, IFRS 11 and IFRS 12. The guidance confirms that the entity is not required to apply IFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also makes changes to IFRS 11 and IFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.

The new guidance is also effective for annual periods on or after 1 January 2013.

4.2.6. IFRS 13 Fair Value Measurement

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Group's consolidated financial statements.

4.2.7. Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

Notes to the consolidated Financial Statements

4.2.8. Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The Amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

4.2.9. Annual Improvements 2009-2011 (the Annual Improvements)
The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarized below:

Clarification of the requirements for opening statement of financial position:
- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:
- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Segment information for total assets and liabilities:
- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed in interim financial information if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

5. Summary of significant accounting policies

The significant accounting policies and measurement bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1. Basis of consolidation
The Group financial statements consolidate those of the parent company and all of its subsidiaries. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

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

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

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

Notes to the consolidated Financial Statements

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

5.2. Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensives income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within other comprehensive income.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

5.3. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.12 for a description of impairment testing procedures.

5.4. Investment in associates

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

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

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.
The share of results of an associate is shown on the face of the consolidated statement of income. This is the profit attributable

Notes to the consolidated Financial Statements

to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared either to the reporting date of the Parent Company or to a date not earlier than three months of the Parent Company's reporting date, using consistent accounting policies. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount under separate heading in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal are recognised in the consolidated statement of income.

5.5. Segment reporting

The Group has two operating segments: Domestic & GCC investments and International investments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.6. Revenue

Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. The following specific recognition criteria should also be met before revenue is recognised;

5.6.1. Rendering of services

The Group earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*
  Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

- *Fee income from providing transaction services*
  Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

5.6.2. Interest income

Interest income is recognised on a time proportion basis using effective interest method.

5.6.3. Revenue from sale of investment properties

Revenue from sale of investment properties is recognised on completion of sale contract and after transferring the risk and rewards associated with the investments property to the purchaser and the amount of revenue can be reliably measured.

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5.6.4. Dividend income

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

5.7. Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

5.8. Borrowing costs

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

5.9. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

5.10. Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of income.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

5.11. Impairment testing of goodwill and non financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effect of future reorganisations and assets enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

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5.12. Financial instruments

5.12.1. Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

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

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

  (a) the Group has transferred substantially all the risks and rewards of the asset or
  (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

5.12.2. Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

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

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All significant income and expenses relating to financial assets that are recognised in profit or loss are presented, under separate headings in the statement of income.

- **Loans and receivables**

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

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

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

The Group categorises loans and receivables into following categories:

Cash and bank balances and short term deposits
Cash on hand and demand deposits are classified under cash and bank balances and deposits placed with financial institutions with a maturity of less than one year are classified as short term deposits.

- *Murabaha investments / receivables*
  Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. When the credit risk of the transaction is attributable to a financial institution, the amount due under Murabaha contracts is classified as a Murabaha investment. Whereas, when the credit risk of transaction is attributable to counterparties other than banks and financial institutions, the amount due is classified as Murabaha receivable.

  Murabaha receivables which arise from the Group's financing of long-term transactions on an Islamic basis are classified as Murabaha receivables originated by the Group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a Murabaha are treated as part of the cost of the transaction.

  All Murabaha receivables are recognized when the legal right to control the use of the underlying asset is transferred to the customer.

- *Wakala investments*
  Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount in case of default, negligence or violation of any terms and conditions of the Wakala.

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

- R*eceivables and other financial assets*
  Trade receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

  Loans and recievables which are not categorised under any of the above are classified as "other receivables/other assets".

- **Financial assets at FVTPL**

Classification of investments as financial assets at FVTPL depends on how management monitors the performance of these investments. Investments at FVTPL are either "held for trading" or "designated" as such on initial recognition.

The Group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are as designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- **AFS financial assets**

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised

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in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

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

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

5.12.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings and accounts payable and other liabilities The subsequent measurement of financial liabilities depends on their classification.

The Group classifies all its financial liabilities as "financial liabilities other than at fair value through profit or loss (FVTPL).

- **Financial liabilities other than at fair value through profit or loss(FVTPL)**

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- *Borrowings*
  All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Wakala payables*
  Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

- Ac*counts* payables and other financial liabilities
  Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "accounts payable and other liabilities"

- All interest-related charges are included within finance costs.

5.12.4 Amortised cost of financial instruments

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

5.12.5 Trade and settlement date accounting

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

5.12.6 Offsetting of financial instruments

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

Notes to the consolidated Financial Statements

5.12.7 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.2.

5.13 Equity, reserves and dividend payments

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the parent company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Cumulative changes in fair value reserve – comprises gains and losses relating to available for sale financial assets

Retained earnings/(accumulated losses) includes all current and prior period profit/losses. All transactions with owners of the parent are recorded separately within equity.

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

5.14 Treasury shares

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

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.15 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Notes to the consolidated Financial Statements

5.16 Foreign currency translation

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

5.16.2 Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" is reported as part of the cumulative change in fair value reserve within other comprehensive income.

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

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

5.17 End of service indemnity
The Parent Company and its local subsidiaries provide end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.18 Taxation

5.18.1 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

5.18.2 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries, and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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

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

Notes to the consolidated Financial Statements

5.19 Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

5.20 Fiduciary assets
Assets held in a trust or fiduciary capacity are not treated as assets of the Group and, accordingly, they are not included in these consolidated financial statements.

6. Significant management judgements and estimation uncertainty

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

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

6.1.1 Classification of financial instruments
Judgements are made in the classification of financial instruments based on management's intention at acquisition. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of income or other comprehensive income.

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets at fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

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

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost less impairment, cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of income or other comprehensive income.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6.2 Estimates uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of associates
After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on the

Notes to the consolidated Financial Statements

Group's investment in its associates, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of income.

During the 2011 the group recognised an impairment loss of KD333,686 against investments in associates.

6.2.2 Impairment of available for sale equity investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition,the group evaluates other factors, including normal volatility in share price for quoted entities and the future cash flows and discount factors for unquoted entities.

During the year ended 31 December 2012, impairment loss recognised for available for sale investments amounted to KD5,126,916 (2011: KD9,649,472) (see note 16).

6.2.3 Impairment of loans and receivables

The Group's management reviews periodically items classified as loans and receivables to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. During the year ended 31 December 2012, impairment loss recognised for loans and receivables amounted to KD1,063,252 (2011 KD846,482) (see note 15).

6.2.4 Fair value of financial instruments

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

6.2.5 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of income. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

7. Subsidiary companies

The details of the significant consolidated subsidiaries are as follows:

Subsidiary	Percentage ownership		Principal activity
	2012	**2011**	
Noor Kuwait for Economic & Management Consulting KSCC, Kuwait	**92**	92	Administrative & economic consulting & related activities
Kuwait India Holding Company KSCC, Kuwait	**57**	57	Investment & related activities
Plexus Information Systems & Computers KSCC (51% direct and 25% indirect holding), Kuwait	**76**	76	Information technology
Noor Jordanian Kuwaiti Financial Investment Co. Ltd, Jordan	**100**	100	Investment & related activities
Noor Salihiya Real Estate Co. KSCC, Kuwait	**100**	100	Real estate development
Noor Real Estate Income Fund, Kuwait	**75**	66	Real estate investments
Noor Telecommunication Company KSCC, Kuwait	**51**	51	Telecommunications
Hotel Global Group PSC, Jordan	**100**	100	Hospitality

* All rounded to nearest percent.

Notes to the consolidated Financial Statements

8. Interest and other income

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Interest income (from call accounts included under bank balances and short term deposits)	**76,778**	52,743
Income from murabaha and wakala investments	**67,718**	42,085
Net income from hotel/transportation business of a foreign subsidiary	**1,018,794**	(305,705)
Effect of un-winding of discount on receivables (note 15)	**1,224,593**	881,281
Income from financing future trade by customers	**278,335**	309,095
Income from Islamic debt instruments (held for trading)	**188,295**	170,280
Income from IT services of a subsidiary (net)	**361,275**	490,347
Reversal of impairment on accounts receivable (note 15)	**4,634,934**	-
Rental income	**819,196**	445,701
Other income	**798,767**	832,511
	9,468,685	2,918,338

Details of net income from hotel/transportation business of a foreign subsidiary are as follows:

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Revenue	**2,574,210**	689,805
Less: Operating costs	**(1,555,416)**	(995,510)
	1,018,794	(305,705)

9. General, administrative and other expenses

General, administrative and other expenses include the following:

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Staff costs	**2,456,422**	2,079,271
Depreciation	**205,105**	205,262

Number of staff employed by the Parent Company as at 31 December 2012 was 31 (2011: 37).

Notes to the consolidated Financial Statements

10. Net gain/(loss) on financial assets

a) Net gain/ (loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Loans and receivables		
- cash and bank balances and short term deposits	**76,778**	52,743
- wakala investment	**67,718**	42,085
- accounts receivables and other assets (income from financing future trade by customers)	**278,335**	309,095
- Impairment in value of accounts receivable	**(1,063,252)**	(846,482)
- Effect of discounting of accounts receivable(net)	**1,224,593**	325,533
- reversal of impairment on accounts receivable	**4,634,934**	-
Investments at fair value through profit or loss		
- held for trading	**2,898,562**	(5,697,605)
- designated as such on initial recognition	**59,118**	(650,700)
Available for sale investments		
- recognised directly in consolidated statement of comprehensive income (net)	**3,247,945**	(4,489,999)
- recognised directly in consolidated statement of income		
on sale and dividend income	**1,952,514**	2,398,393
- recycled from equity to consolidated statement of income		
on impairment	**(5,126,916)**	(9,649,472)
on sale	**642,755**	283,675
	8,893,084	(17,922,734)
Distributed as follows:		
Net gain/(loss) recognised in the consolidated statement of income	**5,645,139**	(13,432,735)
Net gain/(loss) recognised in the consolidated statement of comprehensive income	**3,247,945**	(4,489,999)
	8,893,084	(17,922,734)

b) Unrealised gain/(loss) on investments at fair value through profit or loss
This represents the difference between closing market value at the end of the year and carrying value at the beginning of the year and/or cost of investments acquired during the year. Local funds are valued on the basis of their net asset values.

11. Finance costs

Finance costs relate to borrowings from banks and financial institutions which are financial liabilities stated at amortised cost.

Notes to the consolidated Financial Statements

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

Earnings /(loss) per share is calculated by dividing the profit/(loss) for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Profit/(Loss) for the year attributable to the owners of the Parent Company	**4,518,082**	(15,153,392)
Weighted average number of shares outstanding during the year	**375,602,510**	375,602,510
Less: Weighted average number of treasury shares	**(9,416,351)**	(9,373,214)
	366,186,159	366,229,296
Basic and diluted earnings/(loss) per share (Fils)	**12.34**	(41.38)

The weighted average number of shares outstanding during the previous year has been restated to effect the capital reduction due to set off of losses (note 21).

13. Cash and cash equivalents and murabaha & wakala investments

a) Cash and cash equivalents for the purpose of the consolidated statement of cash flows are made up as follows:

	Effective interest/ profit rate % (per annum)			
	2012	2011	31 Dec. 2012 KD	31 Dec. 2011 KD
Cash and bank balances	**0.25 - 0.50**	0.25 - 0.50	**16,381,419**	24,604,419
Short term deposits	**0.375 - 1.125**	0.22 - 4.80	**325,318**	531,652
Due to banks	**-**	5.00 - 5.50	**-**	(979,895)
			16,706,737	24,156,176
Less: Blocked balances			**(5,414,933)**	(115,000)
Cash and cash equivalents as per cash flow statement			**11,291,804**	24,041,176

Cash and bank balances include call accounts which earn interest. The short term deposits mature within one month and are placed with local and foreign banks. KD Nil (2011: KD1,976,247) included in cash and bank balances is secured against bank loans (note 19).

Notes to the consolidated Financial Statements

b) Murabaha and wakala investments

	Effective interest/ profit rate % (per annum) 2012	2011	31 Dec. 2012 KD	31 Dec. 2011 KD
Due from a local Islamic investment company/ due from related parties	-	-	**14,968,250**	14,968,250
Provision for impairment in value			**(14,968,250)**	(14,968,250)
			-	-
Placed with local Islamic banks	**0.375 - 1.125**	0.625 - 2.315	**11,293,421**	6,881,081
			11,293,421	6,881,081

No profit was recognised on impaired wakala investment during the current year (2011: Nil).

Wakala investments of KD 14,968,250 (2011: KD 14,968,250) placed with a local Islamic investment company matured in 2008. The investee company defaulted on settlement of these balances on the maturity date. Of the above, KD 5,000,000 relates to the subsidiary acquired during a prior year. Full provision has been made for these receivables in accordance with the Central Bank of Kuwait credit provisioning rules.

During the previous years, the Group violated Articles 148 and 151 of the Commercial Companies Law of 1960 when it assumed the financial and legal obligations on these wakala investments of KD9,968,250 that the Group had placed with the above investment company in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group has initiated legal proceedings against the parties to recover KD9,968,250 including profits thereon.

14. Investments at fair value through profit or loss

	31 Dec. 2012 KD	31 Dec. 2011 KD
Held for trading:		
Quoted shares	**17,887,014**	19,640,495
Quoted Islamic debt instruments	**2,814,611**	3,105,218
Designated on initial recognition:		
Local funds	**2,723,953**	2,664,835
	23,425,578	25,410,548

In 2008 as a result of significant developments in the global financial markets, the Group had reclassified investments with a fair value of KD 138,694,153 as at 1 July 2008 from “fair value through profit or loss” category to “available for sale” category. The fair value of the remaining re-classified investments as of 31 December 2012 was KD31,325,863 (2011: KD 40,101,151) (note 16d).

Quoted shares with a fair value of KD12,023,799 (2011: KD14,174,177) are secured against bank loans (refer note 19).

Notes to the consolidated Financial Statements

15. Accounts receivable and other assets

	31 Dec. 2012 KD	31 Dec. 2011 KD
Financial assets:		
Due from the Ultimate Parent Company (net of discount and provision)	**51,460**	10,793,086
Due from other related parties	**1,392,809**	1,195,352
Due from investment brokerage companies	**2,090,528**	7,436,017
Due from Kuwait Clearing Company (future trade)	**3,228,191**	4,556,014
Due on sale of foreign investment properties (net)	**8,174,920**	7,819,434
Due on sale of local investment properties	**1,150,000**	-
Advance payments to acquire investments	**500,000**	1,582,784
Accrued income	**1,240,977**	1,030,461
Other financial assets	**1,408,757**	253,600
	19,237,642	34,666,748
Non-financial assets:		
Other assets	**646,521**	1,399,405
	19,884,163	36,066,153

Due from the Ultimate Parent Company at 31 December 2011, represents management fee and other receivables of KD1,224,753 and KD14,834,400 net of provision of KD4,323,932 and discount of KD942,135. The receivable balance originated in prior years, when the Parent Company paid KD16,357,000 for the purpose of acquiring certain investments on behalf of the Parent Company. As this transaction could not be concluded, the Ultimate Parent Company had agreed during 2011 to repay the KD17,250,000 (Gross balance) over twenty six months and had provided collateral in the form of shares of an unlisted local entity. In 2011, the Group received an amount of KD1,250,000 from the Ultimate Parent Company.

During the current year, the Parent Company and the Ultimate Parent Company (along with certain of its subsidiaries) entered into a settlement agreement to partially settle the outstanding balance by way of transferring the shares of the unlisted local entity (previously held as security) for a consideration of KD13,800,000 based on an independent valuation. The formalities relating to transfer of the title of shares to the Parent Company have been completed subsequent to the reporting date. The shares of the unlisted company received by the Parent Company have been classified as available for sale investments in the consolidated statement of financial position (note 16). Consequently the gross balance due as of the date of the settlement agreement which amounted to KD16,040,458 reduced to KD2,240,458 and the related provision against the gross balance which amounted to KD4,323,932 reduced to KD2,188,998 leaving a net due balance of KD51,460. Under the terms of the settlement agreement, the remaining balance of approximately KD2,200,000 is due to be settled, by the Ultimate Parent Company, contingent upon the value of the unlisted shares upon occurrence of liquidity event (i.e sale or public listing) of the shares on or before 31 December 2014 or if no liquidity event occurs by then based on a valuation to be performed of the shares as of 31 December 2014. As the ultimate recoverability of the remaining balance would depend on the value of the shares upon occurrence of liquidity event or the value of the shares at 31 December 2014, whichever is earlier, management will reverse the remaining provision (KD2,188,998) only upon recovery of the remaining receivable balance.

Due from the Ultimate Parent Company is shown net of discount of KD Nil at 31 December 2012 (31 December 2011: KD 942,135). The Group has unwound the effect of the discount amounting to KD942,135 and recognised it under other income consequent to the settlement agreement referred to above(2011: KD811,036) (Note: 8).

In 2010, an impairment provision of KD4,323,932 was recognised on the balance due from the Ultimate Parent Company and KD8,751,373 on balance due from related party in the consolidated statement of income based on Central Bank of Kuwait's instructions. During the current year, consequent to the settlement agreement referred to above the Group recovered KD13,800,000 from the Ultimate Parent Company and consequently partially reversed an amount of KD2,134,934 which was provided against the balance due from the Ultimate Parent Company.

During the current year, based on another agreement between the parties concerned, the Group also recovered another KD2,500,000 from the other related parties and consequently reversed the provision made against the receivable. The reversals of impairment provisions have been recognised under other income (note 8)

Notes to the consolidated Financial Statements

Due on sale of foreign investment properties has been discounted based on an effective interest rate of 5.5% to give effect to the deferred payment term. A charge of KD Nil (31 December 2011: KD555,748) has been recognised in the consolidated statement of income. The effect of unwinding of discount for the year ended 31 December 2012 on this receivable amounted to KD282,458 (2011: KD70,245), recognised in other income (note 8).

During the year, the Group recognised an impairment loss of KD1,063,252 against certain accrued management fee and due from related parties (2011: KD846,482 against the due from the Ultimate Parent Company relating to accrued management fees).

16. Available for sale investments

	31 Dec. 2012 KD	31 Dec. 2011 KD
Quoted shares	**48,947,092**	61,005,303
Unquoted shares	**25,127,946**	10,325,059
Foreign funds	**7,762,390**	7,864,778
	81,837,428	79,195,140

a) Available for sale investments include investments in unquoted shares and foreign funds whose fair values cannot be reliably determined and as a result investments with a carrying value of KD6,031,473 (2011: KD4,449,809) are carried at cost or cost less impairment. The Group's management is not aware of any circumstance that would indicate impairment/ further impairment in value of these investments.

b) Quoted shares with a fair value of KD30,804,358 (2011: KD12,961,265) are secured against bank loan (refer note 19).

c) During the year, the Group recognised an impairment loss of KD4,152,989 (2011: KD5,166,883) for certain local and foreign quoted shares, as the market value of these shares at reporting date declined significantly below their cost. Further the Group also recognised an impairment loss of KD973,927 (2011: KD4,482,589) against certain unquoted shares, local and foreign funds based on estimates, made by management as per information available to them and the net asset values reported by the investment managers at the reporting date.

d) Quoted shares with a carrying value of KD31,325,863 at 31 December 2012 (2011: KD40,101,151) represent investments which were transferred from investments at fair value through profit or loss as of 1 July 2008 (refer note 14).

e) Unquoted shares include shares of an unlisted local entity with a carrying value of KD13,800,000 acquired from the Ultimate Parent company during the year(refer note 15)

17. Investment in associates

Details of the Group's significant associates are set out below:

Associates	Country of incorporation	Percentage of ownership 2012	Percentage of ownership 2011	Principal activity
Meezan Bank Ltd.	Pakistan	**49.10**	49.10	Islamic Banking
Al Raya Global Real Estate Company JSCC	Jordan	**50.00**	50.00	Real Estate

Notes to the consolidated Financial Statements

The Group's aggregate share of associates' assets and liabilities:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Assets	**403,079,898**	320,917,265
Liabilities	**367,348,868**	284,719,718

The Group's aggregate share of associates' revenue and profit:

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Revenue	**19,690,043**	17,357,473
Profit	**4,855,737**	3,069,535

Investment in Meezan Bank Ltd. with a carrying value of KD34,807,001 (2011: KD31,817,009) has a fair value of KD38,635,662 (2011: KD21,280,928) based on price quoted on the Karachi Stock Exchange on 31 December 2012.

An impairment loss of KD333,686 was recognised during the year 2011 on one of the Group's investment in an associate.

18. Investment properties

The movement in investment properties is as follows:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Fair value as at 1 January	**12,738,998**	23,838,977
Additions	**2,980,083**	2,837,884
Disposals	**(1,140,000)**	(14,105,434)
Changes in fair value	**2,166,075**	167,571
	16,745,156	12,738,998

Investment properties comprise of land and buildings in the following countries:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Kuwait	**16,430,000**	12,400,000
Jordan	**315,156**	338,998
	16,745,156	12,738,998

Investments properties amounting to KD8,200,000(2011: KD Nil) are secured against bank loans (refer note 19).

At 31 December 2012, the Group re-valued its properties based on valuations provided by independent valuers and recorded a valuation gain of KD2,166,075 (2011: gain of KD167,571) in the consolidated statement of income.

Additions during the year represent local real estate properties acquired, through a subsidiary, for a consideration of KD2,919,375 (2011:KD2,243,125) and improvements on an investment property amounting to KD60,708 (2011:KD 594,759).

During the year the Group disposed local investment properties with a carrying value of KD1,140,000 for a consideration of KD1,200,000 which resulted in a gain of KD60,000.

Notes to the consolidated Financial Statements

During the previous year the Group disposed two of its investments properties located in Saudi Arabia for considerations of KD14,152,638, which resulted in a gain of KD47,204. The consideration due on sale of one of the properties amounting to KD12,404,655 (net of foreign exchange loss of KD150,976) was due in instalments over a period of two years and the Group has included this amount under accounts receivable and other assets net of subsequent receipts. In October 2011, the Group received KD4,099,718 and the balance was due in November 2012 and November 2013.

The Group has been in negotiations with the buyer to settle the amount which was due in November 2012. Consequently subsequent to the reporting date the Group has agreed with the buyer to settle the amount due by transferring a real estate property (based in the Kingdom of Saudi Arabia) which has been valued at KD2,330,571 and the remaining by way of cash. In January 2013, the Parent Company received an amount of KD900,670 from the buyer and the remaining cash balance of KD900,670 is expected to be settled in first quarter of 2013. The legal formalities with regard to the transfer of the real estate property to the Group are in progress. No adjustments have been made to the above subsequent event in consolidate financial statements for the year ended 31 December 2012.

19. Borrowings from banks and financial institutions

	Effective interest/ cost rate (p.a.%)		Security		
	2012	2011		31 Dec. 2012 KD	31 Dec. 2011 KD
Short term					
Loans payable – Kuwaiti Dinar	-	5.00 – 5.50	Unsecured	-	36,574,000
Loans payable – Kuwaiti Dinar	-	5.00 – 6.00	Secured	-	3,540,000
Wakala payable – Kuwaiti Dinar	-	6.00 – 6.50	Unsecured	-	44,000,000
Loans payable – Jordanian Dinar	**8.25**	3.90 – 5.90	Secured	**96,364**	2,335,187
				96,364	86,449,187
Long term					
Loans payable – Kuwaiti Dinar	**3.25**	5.00 – 6.00	Secured	**103,360,500**	73,495,000
Wakala payable – Kuwaiti Dinar	**3.25**	-	Secured	**44,000,000**	-
				147,360,500	73,495,000
				147,456,864	159,944,187

a) Short term loans amounting to KD Nil (2011: KD3,540,000) are secured by investments at fair value through profit or loss (refer note 14) and available for sale investments (refer note 16).

b) Short term loans amounting to KD Nil (2011: KD2,335,187) are secured by bank balances (note 13)

c) Long term loans amounting to KD147,360,500 (2011: KD62,495,000) are secured by investments at fair value through profit or loss (refer note 14), available for sale investments (refer note 16) and investment properties (refer note 18).

d) During 2011 and 2012, the Group restructured its financing arrangements with local banks and accordingly loans amounting to KD147,360,500 (net of repayment of KD11,189,800) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be fully secured. As of 31 December 2012, these are partly secured (notes14, 16 and 18) and the process of identification and securitization of the required balance investment portfolios is currently underway.

Notes to the consolidated Financial Statements

The above loans are due as follows:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Short term loans due within one year	**96,364**	86,449,187
Long term loans		
Current portion due within one year	**19,175,500**	7,349,500
Due after more than one year	**128,185,000**	66,145,500
	147,456,864	159,944,187

20. Accounts payable and other liabilities

	31 Dec. 2012 KD	31 Dec. 2011 KD
Financial liabilities:		
Accrued interest	**9,189**	540,593
Accrued expenses	**1,128,230**	889,214
Dividend payable	**26,829**	69,593
Due to investment brokerage companies	**-**	2,943
Other payables	**1,261,954**	219,529
Due to related parties	**320,803**	2,504,821
Payable on account of capital reduction in subsidiary (Note 21c)	**1,314,801**	7,575,093
	4,061,806	11,801,786
Non-financial liabilities:		
Other payables	**182,544**	182,544
	4,244,350	11,984,330

All above financial liabilities are non-interest bearing.

21. Share capital, share premium

a) The authorised issued and paid up share capital of the Parent Company as at 31 December 2012 comprise of 375,602,510 shares of 100 Fils each (31 December 2011: 750,000,000 of 100 Fils each), fully paid up in cash.

b) The shareholders of the Parent Company at their Extra Ordinary General Meeting held on 25 June 2012 approved set off of accumulated losses of KD 37,536,742 as at 31 December 2011 against the issued and paid up share capital (KD37,439,749), share premium (KD2,486,025), treasury shares (KD2,460,353) and gain on sale of treasury shares reserve (KD71,321). All regulatory formalities in this regard were completed during the year, and a certificate of registration of the capital reduction was issued by the Ministry of Commerce and Industry on 16 September 2012.

c) During the previous year, the shareholders of one of the subsidiaries of the Group, (Noor Telecommunication Company KSCC) decreased its share capital and hence an amount of KD18,190,173 due to its non-controlling interests was transferred from non-controlling interests to "accounts payable and other liabilities", net of cash distribution of KD16,875,372 (31 December 2011: KD10,615,080).

Notes to the consolidated Financial Statements

22. Treasury shares

The Group holds treasury shares as follows:

	31 Dec. 2012	31 Dec. 2011
Number of shares	**9,416,351**	16,209,211
Percentage of issued shares	**2.507%**	2.161%
Market value (KD)	**602,646**	-
Cost (KD)	**3,410,573**	5,870,926

It was not possible to disclose the market value of treasury shares as of 31 December 2011, as the Kuwait Stock Exchange had suspended trading in the Parent Company's shares from 31 March 2011 to 13 September 2012.

Reserves equivalent to the cost of treasury shares held are not distributable.

23. Legal and voluntary reserves

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the Parent Company's profit before KFAS, Zakat, NLST and directors' remuneration for the year is to be transferred to legal reserve. The Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

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

In accordance with the Parent Company's articles of association, a certain percentage of the Parent Company's profit before KFAS, Zakat, NLST and directors' remuneration, is to be transferred to the voluntary reserve at the discretion of the Board of Directors which is to be approved at the general assembly. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist. For the year 2012 Board of Directors proposed to transfer 10% of the above mentioned profit to the voluntary reserve and this is subject to approval of General Assembly of shareholders. There are no restrictions on distribution of voluntary reserve.

24. Dividend distribution

The Board of Directors propose not to distribute any dividend for the year ended 31 December 2012 (2011: Nil). This proposal is subject to the approval of General Assembly of shareholders.

25. Segment analysis

The Group is organised into segments that engage in business activities which earns revenue and incurs expenses. These segments are regularly reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance assessment. For the purposes of segment reporting the management has grouped the business units into the following operating segments:

Domestic & GCC investments	- Comprising of investment activities in the State of Kuwait and GCC
International investments	- Comprising of investment activities outside the GCC and State of Kuwait

Notes to the consolidated Financial Statements

Segment results include operating revenue and expenses directly attributable to a segment. Net operating income includes operating revenue directly attributable to a segment. Segment results include revenue and expense directly attributable to each reporting segment as the Group does not have any inter segment charges. Segment assets comprise those operating assets that are directly attributable to the segment.

Segmental information for the years ended 31 December 2012 and 31 December 2011 are as follows:

31 December 2012

	Domestic & GCC KD	International KD	Total KD
Income	**14,192,898**	**8,562,798**	**22,755,696**
(Loss) /profit for the year	**(1,917,358)**	**6,769,532**	**4,852,174**
Impairment in the value of investments & receivables	**5,216,241**	**973,927**	**6,190,168**
Effect of un-winding of discount on receivables	**942,137**	**282,456**	**1,224,593**
Share of results of associates	**83,809**	**4,771,928**	**4,855,737**
Interest/profit revenue	**144,496**	**-**	**144,496**
Finance costs	**6,704,910**	**7,661**	**6,712,571**
Total assets	**144,214,076**	**75,001,870**	**219,215,946**
Total liabilities	**(151,223,844)**	**(777,287)**	**(152,001,131)**
Net assets	**(7,009,768)**	**74,224,583**	**67,214,815**

31 December 2011

	Domestic & GCC KD	International KD	Total KD
Income	2,538,227	3,444,672	5,982,899
Loss for the year	(10,502,926)	(7,230,647)	(17,733,573)
Impairment in the value of investments & receivables	4,600,052	6,229,588	10,829,640
Net effect of discounting of receivables	-	555,748	555,748
Share of results of associates	(993,902)	4,063,437	3,069,535
Interest revenue	94,828	-	94,828
Finance costs	7,983,285	-	7,983,285
Total assets	155,676,578	78,423,173	234,099,751
Total liabilities	(170,852,835)	(2,338,128)	(173,190,963)
Net assets	(15,176,257)	76,085,045	60,908,788

Notes to the consolidated Financial Statements

26. Related party transactions

Related parties represent the Ultimate Parent Company, associates, directors and key management personnel of the Group, and other related parties such as subsidiaries of the Ultimate Parent Company (fellow subsidiaries), major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Significant related party transactions and balances included in the consolidated financial statements are as follows:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Consolidated statement of financial position:		
Due from related parties and Ultimate Parent Company (refer note 15)		
- Due from Ultimate Parent Company	**51,460**	10,793,086
- Due from associate	**1,150,000**	-
- Due from other related party	**242,809**	1,195,352
- Accrued management fees (due from parent company and other related parties)	**573,613**	913,686
Due to related parties	**320,803**	2,504,821
Purchase of available sale investments from related party (note 16)	**13,800,000**	-

Consolidated statement of income	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Management and placement fees		
- earned from Ultimate Parent Company	**45,621**	278,864
- earned from other related parties	**501,692**	721,313
Impairment on value of receivables	**981,065**	896,482
Effect of unwinding of discount of receivables (refer note 15)	**942,135**	811,036
Reversal of Impairment on due from ultimate parent company (refer note 15)	**2,134,934**	-
Reversal of impairment on due from other related parties (refer note 15)	**2,500,000**	-
Compensation of key management personnel of the Group:		
Short term employee benefits	**442,574**	298,407
End of service benefits	**24,065**	17,901
	466,639	316,308

Notes to the consolidated Financial Statements

27. Summary of financial assets and liabilities by category

27.1 Categories of financial assets and liabilities

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

	31 Dec. 2012 KD	31 Dec. 2011 KD
Loans and receivables:		
- Cash and bank balances	**16,381,419**	24,604,419
- Short term deposits	**325,318**	531,652
- Murabaha and wakala investments	**11,293,421**	6,881,081
- Accounts receivable and other assets (note 15)	**19,237,642**	34,666,748
Investments at fair value through profit or loss: (note 14)		
- Trading securities	**20,701,625**	22,745,713
- Investments designated as carried at fair value through profit or loss	**2,723,953**	2,664,835
Available for sale investments (note 16)	**81,837,428**	79,195,140
	152,500,806	171,289,588
Financial liabilities:		
Due to banks	**-**	979,895
Accounts payable and other liabilities (note 20)	**4,061,806**	11,801,786
Borrowings from banks and financial institutions (note 19)	**147,456,864**	159,944,187
Provision for end of service indemnity	**299,917**	282,551
	151,818,587	173,008,419

Fair value represents amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In the opinion of the Group's management, except for certain available for sale investments which are carried at cost for reasons specified in Note 16 to the consolidated financial statements the carrying amounts of financial assets and liabilities as at 31 December 2012 and 2011 approximate their fair values.

27.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

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

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

Notes to the consolidated Financial Statements

31 December 2012	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value:					
Investments at fair value through profit or loss					
- Quoted shares and debt instruments	a	20,701,625	-	-	20,701,625
- Local funds	b	-	2,723,953	-	2,723,953
Available for sale investments					
- Quoted shares	a	48,947,092	-	-	48,947,092
- Unquoted shares	d	-	-	24,314,645	24,314,645
- Foreign funds	c	-	2,544,218	-	2,544,218
Total assets		69,648,717	5,268,171	24,314,645	99,231,533

31 December 2011	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value:					
Investments at fair value through profit or loss					
- Quoted shares and debt instruments	a	22,745,713	-	-	22,745,713
- Local funds	b	-	2,664,835	-	2,664,835
Available for sale investments		-			
- Quoted shares	a	61,005,303		-	61,005,303
- Unquoted shares	d	-	-	9,493,598	9,493,598
- Foreign funds	c	-	4,246,430	-	4,246,430
Total assets		83,751,016	6,911,265	9,493,598	100,155,879

There were no transfers between the levels during the current and previous years.

Measurement at fair value
The methods and valuation techniques used for the purpose of measuring fair value are as follows;

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

b) Local funds
The underlying investments of these funds mainly comprise of local quoted shares and money market instruments and the fair value of the investment has been determined based on net asset values reported by the fund manager as of the reporting date.

c) Foreign funds
The underlying investments of foreign funds primarily comprise of foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

d) Unquoted shares
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

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Level 3 Fair value measurements

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

	31 Dec. 2012 KD	31 Dec. 2011 KD
As at 1 January	**9,493,598**	18,428,415
Additions	**13,800,000**	-
Changes in fair value during the year recognised in other comprehensive income	**1,039,208**	(8,638,878)
Impairment loss recognised in the statement of income	**(18,161)**	(295,939)
As at 31 December	**24,314,645**	9,493,598

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

28. Risk management objectives and policies

The Group's principal financial liabilities comprise of due to banks, borrowings and accounts payable. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits, murabaha & wakala investments and investment securities which arise directly from operations.

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

The Parent Company's Board of Directors sets out policies for managing each of these risks as discussed below.

The Group does not use derivative financial instruments.

The significant financial risks to which the Group is exposed to are described below:

28.1 Market risk

a) Foreign currency risk

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

The Group mainly operates in the Middle East countries and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Saudi Riyal and UAE Dirham. The Parent Company's consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the Groups' open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the consolidated statement of financial position date, translated into Kuwaiti Dinars at the closing rates are as follows:

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	31 Dec. 2012 *Equivalent* KD	31 Dec. 2011 *Equivalent* KD
US Dollar	**981,535**	4,744,752
Saudi Riyal	**8,175,102**	7,957,966
UAE Dirham	**74,449**	1,902,994

If the Kuwaiti Dinar had strengthened against the foreign currencies by 5%, then this would have the following impact on the results for the year. There is no other direct impact on the Group's equity.

	Profit/(loss) for the year	
	31 Dec. 2012	**31 Dec. 2011**
US Dollar	**(49,077)**	(237,238)
Saudi Riyal	**(408,755)**	(397,898)
UAE Dirham	**(3,722)**	(95,150)
	(461,554)	(730,286)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the results for the year, and the balances shown above would be positive.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to due to banks and borrowings which are at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.
The Group's interest rate risk sensitivity position, based on the contractual re-pricing or maturity dates of assets and liabilities, whichever dates are earlier, is as follows:

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At 31 December 2012	Up to 1 month KD	1-3 months KD	3-12 months KD	Over12 months KD	Non-interest bearing items KD	Total KD
ASSETS						
Cash and bank balances	104,042	-	-	-	16,277,377	16,381,419
Short term deposits	325,318	-	-	-	-	325,318
Murabaha and wakala investments	11,293,421	-	-	-	-	11,293,421
Investments at fair value through profit or loss	-	-	-	2,814,611	20,610,967	23,425,578
Accounts receivable and other assets	-	-	-	-	19,884,163	19,884,163
Available for sale investments	-	-	-	-	81,837,428	81,837,428
Investment in associates	-	-	-	-	44,894,829	44,894,829
Investment properties	-	-	-	-	16,745,156	16,745,156
Equipment	-	-	-	-	4,428,634	4,428,634
	11,722,781	-	-	2,814,611	204,678,554	219,215,946
LIABILITIES						
Borrowings from banks and financial institutions	-	96,364	19,175,500	128,185,000	-	147,456,864
Accounts payable and other liabilities	-	-	-	-	4,244,350	4,244,350
Provision for end of service indemnity	-	-	-	-	299,917	299,917
	-	96,364	19,175,500	128,185,000	4,544,267	152,001,131
Total interest rate sensitivity gap	11,722,781	(96,364)	(19,175,500)	(125,370,389)	200,134,287	67,214,815
Cumulative interest rate sensitivity gap	11,722,781	11,626,417	(7,549,083)	(132,919,472)	-	-

Notes to the consolidated Financial Statements

31 December 2011	Up to 1 month KD	1-3 months KD	3-12 months KD	Non-interest bearing items KD	Total KD
ASSETS					
Cash and bank balances	17,519,968	-	-	7,084,451	24,604,419
Short term deposits	531,652	-	-	-	531,652
Murabaha and wakala investments	6,881,081	-	-	-	6,881,081
Investments at fair value through profit or loss	-	-	3,105,128	22,305,420	25,410,548
Accounts receivable and other assets	-	-	-	36,066,153	36,066,153
Available for sale investments	-	-	-	79,195,140	79,195,140
Investment in associates	-	-	-	45,700,541	45,700,541
Investment properties	-	-	-	12,738,998	12,738,998
Equipment	-	-	-	2,971,219	2,971,219
	24,932,701	-	3,105,128	206,061,922	234,099,751
LIABILITIES					
Due to banks	979,895	-	-	-	979,895
Borrowings from banks and financial institutions	8,875,187	77,574,000	73,495,000	-	159,944,187
Accounts payable and other liabilities	-	-	-	11,984,330	11,984,330
Provision for end of service indemnity	-	-	-	282,551	282,551
	9,855,082	77,574,000	73,495,000	12,266,881	173,190,963
Total interest rate sensitivity gap	15,077,619	(77,574,000)	(70,389,872)	193,794,041	60,908,788
Cumulative interest rate sensitivity gap	15,077,619	(62,496,381)	(132,886,164)	-	-

Notes to the consolidated Financial Statements

The Group does not have any off balance sheet financial instrument which are used to manage the interest rate risk. The following table illustrates the sensitivity of the interest bearing financial instruments on the profit/loss for the year to a reasonable possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions it has been assumed that a reasonable possible change in the interest rates would be +25 and -25 basis points for LIBOR and +25 and -25 basis points for KIBOR interest rates for the current year (2011: Interest rate +25 and – 25 basis point for LIBOR and +25 and -25 for basis point for KIBOR). The calculation is based on the Group's financial instruments held at the consolidated statement of financial position date. All other variables are held constant. There is no other direct impact on Group's equity.

	Increase in interest rates		Decrease in interest rates	
	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Profit/(loss) for the year	**(332,299)**	(332,215)	**332,299**	332,215

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, and USA. Equity investments are classified either as investments carried at fair value through profit or loss (including trading securities) or available for sale securities.

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

The price risk sensitivity is determined at the rate of 10% on the exposure to equity price risks at the reporting date. If equity prices had been higher by 10%, the effect on the profit/(loss) for the year and equity for the year ended 31 December would have been as follows, with all other variables held constant:

A positive number below indicates an increase in profit or equity and a decrease in loss or equity, where the equity prices increase by the above mentioned percentages.

	Profit/(loss) for the year		Equity	
	2012 KD	2011 KD	2012 KD	2011 KD
Investments at fair value through profit or loss	**2,070,162**	2,274,571	**-**	-
Available for sale investments				
- Impaired investments (refer *)	**2,434,384**	573,906	**-**	-
- Un-impaired investments	**-**	-	**2,460,325**	353,715
	4,504,546	2,848,477	**2,460,325**	353,715

* Had equity prices been higher by 10%, the impairment profit/ loss which was recognised in the consolidated statement of income would be reduced and consequently the loss for the years 2012 and 2011 would be upper/lower.

For a 10% decrease in the equity prices there would be an equal and opposite impact on the profit/loss for the year and equity and the amounts shown would be negative.

Notes to the consolidated Financial Statements

28.2 Credit risk

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

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

	31 Dec. 2012	31 Dec. 2011
Cash and bank balances	**16,381,419**	24,604,419
Short term deposits	**325,318**	531,652
Murabaha and wakala investments	**11,293,421**	6,881,081
Accounts receivable and other assets (refer note 15)	**19,237,642**	34,666,748
Investments at fair value through profit or loss (refer note 14)	**5,538,564**	5,770,053
Available for sale investments	**7,762,390**	7,864,778
	60,538,754	80,318,731

Except for the wakala investment referred to in note 13, accounts receivable and other assets referred to in note 15, and available for sale investments referred to in note 16, none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements except as disclosed in notes 14 and 16.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty other than the due on sale of foreign investment properties (2011: Ultimate Parent Company). The credit risk for cash and bank balance and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 28.3.

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28.3 Concentration of assets

The distribution of financial assets and financial liabilities by geographic region is as follows:

	Kuwait KD	Middle East KD	Asia & Africa KD	Europe & USA KD	Total KD
At 31 December 2012					
Cash and bank balances	**15,375,051**	**956,530**	**18,514**	**31,324**	**16,381,419**
Short term deposits	**325,318**	**-**	**-**	**-**	**325,318**
Murabaha and wakala investments	**11,293,421**	**-**	**-**	**-**	**11,293,421**
Investments at fair value through profit or loss	**18,277,230**	**2,089,845**	**1,820,552**	**1,237,951**	**23,425,578**
Accounts receivable and other assets (note 15)	**8,144,431**	**10,137,356**	**287,797**	**668,058**	**19,237,642**
Available for sale investments	**48,122,684**	**17,494,574**	**5,447,455**	**10,772,715**	**81,837,428**
	101,538,135	**30,678,305**	**7,574,318**	**12,710,048**	**152,500,806**
Accounts payable and other liabilities	**3,401,953**	**-**	**659,853**	**-**	**4,061,806**
Borrowings from banks and financial institutions	**147,360,500**	**96,364**	**-**	**-**	**147,456,864**
Provision for end of service indemnity	**299,917**	**-**	**-**	**-**	**299,917**
	151,062,370	**96,364**	**659,853**	**-**	**151,818,587**

	Kuwait KD	Middle East KD	Asia & Africa KD	Europe & USA KD	Total KD
At 31 December 2011					
Cash and bank balances	21,875,636	2,313,848	413,125	1,810	24,604,419
Short term deposits	531,652	-	-	-	531,652
Murabaha and wakala investments	6,881,081	-	-	-	6,881,081
Investments at fair value through profit or loss	18,200,004	2,749,152	1,908,604	2,552,788	25,410,548
Accounts receivable and other assets (note 15)	17,533,137	11,652,979	1,756,425	3,724,207	34,666,748
Available for sale investments	44,922,715	18,922,901	3,835,620	11,513,904	79,195,140
	109,944,225	35,638,880	7,913,774	17,792,709	171,289,588
Due to banks	979,895	-	-	-	979,895
Accounts payable and other liabilities	11,798,845	-	2,941	-	11,801,786
Borrowings from banks and financial institutions	157,609,199	2,334,988	-	-	159,944,187
Provision for end of service indemnity	282,551	-	-	-	282,551
	170,670,490	2,334,988	2,941	-	173,008,419

28.4 Liquidity risk

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

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value

Notes to the consolidated Financial Statements

through profit or loss and available for sale investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments carried at fair value through profit or loss and available for sale investments is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities are as follows:

At 31 December 2012	1 year KD	Over 1 year KD	Total KD
ASSETS			
Cash and bank balances	16,381,419	-	16,381,419
Short term deposits	325,318	-	325,318
Murabaha and wakala investments	11,293,421	-	11,293,421
Investment at fair value through profit or loss	23,425,578	-	23,425,578
Accounts receivable and other assets	19,884,163	-	19,884,163
Available for sale investments	-	81,837,428	81,837,428
Investment in associates	-	44,894,829	44,894,829
Investment properties	-	16,745,156	16,745,156
Equipment	-	4,428,634	4,428,634
	71,309,899	147,906,047	219,215,946
LIABILITIES			
Accounts payable and other liabilities	4,244,350	-	4,244,350
Borrowings from banks and financial institutions	19,271,864	128,185,000	147,456,864
Provision for end of service indemnity	-	299,917	299,917
	23,516,214	128,484,917	152,001,131

At 31 December 2011	1 year KD	Over 1 year KD	Total KD
ASSETS			
Cash and bank balances	24,604,419	-	24,604,419
Short term deposits	531,652	-	531,652
Murabaha and wakala investments	6,881,081	-	6,881,081
Investment at fair value through profit or loss	25,410,548	-	25,410,548
Accounts receivable and other assets	17,453,633	18,612,520	36,066,153
Available for sale investments	-	79,195,140	79,195,140
Investment in associates	-	45,700,541	45,700,541
Investment properties	-	12,738,998	12,738,998
Equipment	-	2,971,219	2,971,219
	74,881,333	159,218,418	234,099,751
LIABILITIES			
Due to banks	979,895	-	979,895
Accounts payable and other liabilities	11,984,330	-	11,984,330
Borrowings from banks and financial institutions	86,449,187	73,495,000	159,944,187
Provision for end of service indemnity	-	282,551	282,551
	99,413,412	73,777,551	173,190,963

Notes to the consolidated Financial Statements

The contractual maturity of financial liabilities based on undiscounted cash flows is as follows:

31 December 2012	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	Total KD
Financial liabilities					
Accounts payable and other liabilities	**-**	**-**	**4,061,806**	**-**	**4,061,806**
Borrowings from banks and financial institutions	**469,333**	**5,293,247**	**18,653,011**	**142,894,613**	**167,310,204**
Provision for end of services indemnity	**-**	**-**	**-**	**299,917**	**299,917**
	469,333	**5,293,247**	**22,714,817**	**143,194,530**	**171,671,927**

31 December 2011	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	Total KD
Financial liabilities					
Due to banks	982,445	-	-	-	982,445
Accounts payable and other liabilities	-	-	11,801,786	-	11,801,786
Borrowings from banks and financial institutions	9,358,156	75,958,765	9,273,458	77,540,615	172,130,994
Provision for end of services indemnity	-	-	-	282,551	282,551
	10,340,601	75,958,765	21,075,244	77,823,166	185,197,776

29. Capital risk management

The Group's capital risk management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt. See note 21.

The Parent Company is required to maintain a minimum share capital of KD 15 million as it is registered as an investment company regulated by the Central Bank of Kuwait.

The capital structure of the Group consists of the following:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Borrowings from banks and financial institutions (refer note 19)	**147,456,864**	159,944,187
Less: Cash and cash equivalents (refer note 13)	**(11,291,804)**	(24,041,176)
Net debt	**136,165,060**	135,903,011
Total equity	**67,214,815**	60,908,788

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

Notes to the consolidated Financial Statements

This ratio is calculated as net debt divided by total equity as follows:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Net debt	**136,165,060**	135,903,011
Total equity	**67,214,815**	60,908,788
Net debt to total equity ratio	**203%**	223%

30. Fiduciary assets

The Group manages mutual funds and portfolios on behalf of its Ultimate Parent Company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 December 2012 amounted to KD106,540,305 (2011: KD131,095,191.) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD83,096,778 (2011: KD97,072,634).

31. Contingent liabilities and Capital commitments

Group's share of associate's contingent liabilities:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Guarantees	**6,618,983**	7,453,669
Letters of credit	**23,557,963**	22,146,506
Commitments in respect of forward exchange contracts	**101,801,209**	80,637,948
Commitment for the acquisition of operating fixed assets	**72,426**	202,815
Commitment in respect of financing	**55,759,562**	50,865,985
Bills for collection	**11,672,552**	11,250,942
Senior executive bonus incentive scheme	**171,896**	148,125
	199,654,591	172,705,990

Guarantees and capital commitments
At the reporting date the Group had commitments of KD3,593,456 towards purchase of investments (2011: KD2,385,374) and guarantees amounting to KD7,466,712 (2011: KD7,280,629).

On 1 December 2011, the Parent Company's Jordanian subsidiary, Noor Jordanian Kuwaiti Financial Investment Company Limited ("the Seller") disposed of its entire equity interest in one of its Jordanian subsidiary (Noor Jordan Kuwait Transport Company JSCC) to nine individual buyers ("the Buyers"). Subsequent to the transfer of shares and control to the Buyers, they have defaulted on fulfilling the terms and conditions of the sale agreement and also filed legal cases against the Seller. The Seller also filed legal cases against the Buyers. The Parent Company also provided a corporate guarantee to this disposed subsidiary for a loan obtained by them of JD 718,000 (KD280,000) from a local Jordanian bank at the time of the sale transaction. The Parent Company was informed that this loan is not being serviced by the Buyer and is of the opinion that it would not incur any loss on account of this.

32. Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity, net results for the year or net increase in cash and cash equivalents.

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