نـــــور للإستثمار

Noor Investment

Annual Report 2011

Noor Financial Investment Company KSC (Closed) and Subsidiaries

www.noorinvestment.com

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نـــــور للإستثمار

Noor Investment

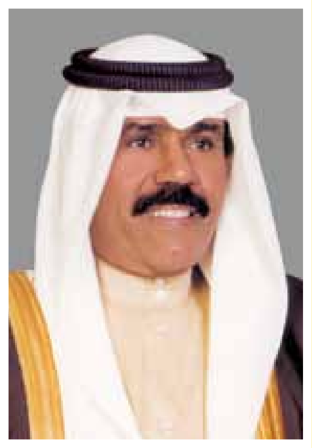
Annual Report

2011

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

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Noor Al-Salhiya Complex

Al-Salhiya Complex, Noor's recently refurbished investment property providing a stable, attractive yield

Board of Directors

Abdullatif A. Al-Asfour
Chairman & Managing Director

Abdulghani M. Behbehani
Deputy Chairman

Sheikh Khalifah A. K. Al-Sabah
Member

Gururaj Rao
Member

Raj Nandlal Dvivedi
Member

Meezan Bank – Pakistan

Meezan Bank, our largest investment outside of Kuwait, has grown profits by more than 100% in year 2011

Executive Management

Golden Tulip Hotel – Amman

Airport hotel at the Queen Alia International Airport in Jordan, profitable with quick payback period

Abdullatif A. Al-Asfour
Chairman & Managing Director

Gururaj Rao
Chief Investment Officer

Nauman S. Sehgal
Chief Operating Officer

Catherine Pfeiffer
General Manager - Business Development

Chairman's Message

Dear Valued Shareholders,

On behalf of our honorable Members of the Board, it is my distinct pleasure to present my message and use the opportunity to present to you the Company's operational activities, its results for the year ended 31 December 2011, while drawing comparisons with the previous financial year against the backdrop of the global developments, the regional economic setting and other investment specific factors.

In the face of the staggering economic and political turmoil, the Board of Directors focused their combined efforts to redefine the Company's foundation for its existing and future operations to meet the objective of achieving attractive returns. Additionally, the Board initiated effective measures to control expenses and increase margins. Noor closed the financial year ended 31 December 2011 with an enhanced financial position, a refocused business model, a clear strategy, a restructured organization and an improved corporate governance framework.

Noor commenced operations at a time when the global economy offered an abundance of opportunities that soon subsided upon the onset of recessionary conditions in 2008. 2011 has been challenging, and during which time, we refrained from undertaking substantial new investments, but patiently worked to closely oversee our existing operations and achieved successful exits.

International Conditions

The year 2011 experienced volatile equity markets, a sovereign debt crisis in Europe, regional political strife initiated by the Arab Spring, and natural disasters such as the earthquake and tsunami in Japan, resulting in 2011 global GDP growth dropping to 3.8% from 5.2% in 2010, and forecast to reach only reach 3.3% in 2012; according to IMF estimates. Faced with this environment, the Board had to find a strategy, capitalizing on the Company's strengths, which could overcome these conditions and prosper in the long term. The Board and management put together significant efforts to restructure the Company's balance sheet and re-formulate its strategy and business model towards a more stable return and lower risk profile.

Local Conditions

While governments around the world have implemented plans to try to stimulate their economies and bring about recovery, little has been proposed and executed in Kuwait to remedy the non-oil sector economy and the stock market slump. While oil revenues continue to grow, creating surpluses in the national budget, such surpluses have not been utilized to stimulate business opportunities in the non-oil sector of the economy. Additionally, the international woes continue to affect both local stock markets (KSE declined by 16% in 2011), and regional investment opportunities.

Therefore, the investment companies sector of the Kuwait Stock Exchange, with the bulk of its assets in equities and real estate investments, has been one of the hardest hit due to the nature of its business. According to economic research, the average equity of these companies declined since 2007 from KD 118.9 million per company to KD 55.4 million at the end of September 2011, a decline of 53.4%. Additionally, the average assets per company amounted to KD 132.8 million at the end of September 2011, compared to their highest level of about KD 251.4 million at the end of 2007, a decline of 47.2%.

Financial Performance

As for the financial performance of Noor for the year ended 31 December 2011, Noor reduced its annual net losses by 44% down to KD 17.7 million in the year 2011, as compared to a loss of KD 31.5 million in the year 2010. The Company maintained gross operating income at KD 6.0 million in 2011 versus KD 6.1 million in 2010. General and administrative expenses decreased by 35%. The comprehensive loss for the year 2011 was reduced by 20% down to KD 23.6 million, compared to a comprehensive loss of KD 29.5 million in 2010. The net loss was primarily due to three factors: financing costs, impairments and provisions. 2011 performance resulted in a 13.6% decrease in total assets to KD 234.1 million in 2011 from KD 270.9 million in 2010 and a 37.5% decrease in total shareholders' equity to KD 34.3 million in 2011 from KD 54.8 million in 2010. The Board decided to take action in 2011 to allow the Company to turn a new page in 2012 and bring back health and profitability.

Strategic Decisions and Future Plans

Our efforts are continuing to align management strategy in a manner that will maximize shareholder value by implementing and adhering to prudent policies and procedures. We remain upbeat on the prospects for real estate investments in the region and elsewhere. Nevertheless, we will remain vigilant for opportunistic investments. We are currently in the process of researching preferred investment segments, regions and models. We hope to be able to steadily grow our company, maintaining liquidity at all times, balancing shareholder returns and always remaining positioned to capture future opportunities.

Noor is focused on restructuring its business for success in the new environment faced by the investment sector. Noor is delighted to announce its successful completion of the restructuring of nearly 50% of its bank debt in 2011, reducing financing costs and converting short-term debt to long-term debt. The Company will continue cooperating with banks to restructure its remaining debt.

During 2011, Noor realized several profitable exits, such as the 2006 investment in a Chinese insurance company, which sale contributed USD12 million in profits and achieved a 10X multiple return on investment. Noor also sold investment land in Saudi Arabia for KD12 million, nearly doubling its investment.

In light of the new strategy, the Company has reallocated proceeds from divestments and asset sales towards well diversified yielding investment instruments to secure stable, sustainable and predictable revenues. In 2011, Noor placed its focus on the promising side of the real estate sector that was initiated by our recently opened refurbished building in Al-Salhiya with near-full occupancy. Noor's objective is to target properties that have in-place cash flow or the ability to put cash flow in place in the near term that may be under-valued or demonstrate prospects for mid-term value creation. As such, Noor has successfully acquired investment properties in Kuwait. Rental revenues of such real estate investments shall contribute to 2012 revenues. Noor fully acquired the concession rights of the airport hotel at the Queen Alia International Airport in Jordan, which is already running profitably and will pay back around half of our investment by the end of 2012.

Our existing investments and business activities that are aligned with our future vision continue to perform positively. For instance, Meezan Bank, our largest investment outside of Kuwait, has grown profits by more than 100% in year 2011. Noor owns 49% in Meezan, Pakistan's largest Islamic bank with a network of 275 branches and total assets of USD 2.2 billion. Our client portfolios outperformed the benchmarks, and the Noor Kuwait Islamic Equity Fund was ranked amongst the top ten performers for 2011 while the Noor GCC Islamic Fund ranked in the top five.

With a healthier balance sheet, reduced financing and G&A costs, predictable revenues and divesting financially burdensome assets while maintaining profitable investments, Noor expects to achieve a positive 2012. Additionally, through a well-designed asset allocation strategy to the specific areas of real estate, fixed income and yielding private equity investment, the Board has built a platform for the Company to succeed in today's environment, as well as take advantage and prosper when economies normalize and investors' appetite returns, which contributes to the desire of His Highness, the Amir Sheikh Sabah Al Ahmad Al Jaber Al Sabah, to transform Kuwait into a financial and commercial center.

Finally, in my capacity and on behalf of my honorable Board of Directors, I would like to express my deep appreciation and gratitude to our esteemed Shareholders for their continuous support and the confidence they have bestowed on the Company management in facing up to the underlying challenges. Thanks and appreciation are also due to our staff for their perseverance, dedication and sincere efforts exerted throughout the past year towards achieving the objectives for which the Company was established. We are now confident that our efforts will maximize returns in the ensuing periods.

Sincerely,

Abdullatif A. Al-Asfour
Chairman & Managing Director

Noor Heights – Egypt

A distinctive residential project, located in the prime Cairo satellite city of 6 October

Noor Financial Investment Company KSC (Closed)
and Subsidiaries
Kuwait

Independent Auditors' Report
and
Annual Consolidated Financial Statements
31 December 2011

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

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 ("the Group") which comprise the consolidated statement of financial position as at 31 December 2011, 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.

Noor Financial Investment Company KSC (Closed) and Subsidiaries
Kuwait
Independent Auditors' Report to the Shareholders (Continued)

Opinion

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

Report on Other Legal and Regulatory Requirements

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 Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, and 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 violation of the Commercial Companies Law, or of the Parent Company's Articles of Association, as amended, have occurred during the year ended 31 December 2011 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our audit we have not become aware of any material violation 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 during the year ended 31 December 2011.

Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche
Al-Fahad, Al-Wazzan & Co.

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

Kuwait
29 May 2012

		Kuwaiti Dinars	
		Year ended 31 December	
	Note	2011	2010
Income			
Realised (loss)/gain on investments at fair value through profit or loss		**(1,141,305)**	3,028,205
Unrealised loss on investments at fair value through profit or loss	6	**(6,259,058)**	(2,535,795)
Realised gain on sale of available for sale investments		**495,643**	1,661,339
Changes in fair value of investment properties	17	**167,571**	(3,455,155)
Realized gain on sale of investment property	17	**47,204**	-
Dividend income		**2,784,527**	1,879,914
Management and placement fees		**3,865,938**	2,817,486
Interest and other income	7	**2,918,338**	1,084,976
Share of profit of associates	16	**3,069,535**	1,980,431
Foreign exchange gain/(loss)		**34,506**	(351,530)
		5,982,899	6,109,871
Expenses and other charges			
General, administrative and other expenses	8	**4,347,799**	6,688,428
Finance costs	10	**7,983,285**	9,309,589
Impairment in value of available for sale investments	15(c)	**9,649,472**	4,632,187
Impairment in value of accounts receivables and other assets	14	**846,482**	15,252,874
Impairment in value of investment in an associate	16	**333,686**	-
Effect of discounting of accounts receivable	14	**555,748**	1,753,171
		23,716,472	37,636,249
Loss for the year		**(17,733,573)**	(31,526,378)
Attributable to:			
Owners of the Parent Company		**(15,153,392)**	(30,623,757)
Non-controlling interests		**(2,580,181)**	(902,621)
		(17,733,573)	(31,526,378)
Basic and diluted loss per share (Fils)	11	**(21)**	(42)

The notes 1 to 32 form an integral part of these consolidated financial statements.

Noor Financial Investment Company KSC (Closed) and Subsidiaries
Kuwait
Consolidated Statement of Comprehensive Income - Year ended 31 December 2011

	Kuwaiti Dinars	
	Year ended 31 December	
	2011	**2010**
Loss for the year	**(17,733,573)**	(31,526,378)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**(1,549,534)**	(1,104,909)
Available for sale investments:		
Net changes in fair value arising during the year	**(13,855,796)**	2,893,476
Transferred to consolidated statement of income on sale	**(283,675)**	(2,237,704)
Transferred to consolidated statement of income on impairment	**9,649,472**	4,632,187
Share of other comprehensive income/(loss) of associates	**165,958**	(2,165,811)
Total other comprehensive(loss)/ income for the year	**(5,873,575)**	2,017,239
Total comprehensive loss for the year	**(23,607,148)**	(29,509,139)
Total comprehensive loss attributable to:		
Owners of the Parent Company	**(20,513,508)**	(28,668,163)
Non-controlling interests	**(3,093,640)**	(840,976)
	(23,607,148)	(29,509,139)

The notes 1 to 32 form an integral part of these consolidated financial statements.

Noor Financial Investment Company KSC (Closed) and Subsidiaries
Kuwait
Consolidated Statement of Financial Position as at 31 December 2011

	Notes	Kuwaiti Dinars As at 31 December 2011	2010
ASSETS			
Cash and bank balances	12	**24,604,419**	15,095,294
Short term deposits	12	**531,652**	1,533,264
Murabaha and Wakala investments	12	**6,881,081**	14,763,268
Investments at fair value through profit or loss	13	**25,410,548**	39,732,237
Accounts receivable and other assets	14	**36,066,153**	31,768,602
Available for sale investments	15	**79,195,140**	95,051,543
Investment in associates	16	**45,700,541**	45,911,382
Investment properties	17	**12,738,998**	23,838,977
Equipment		**2,971,219**	3,235,027
Total assets		**234,099,751**	270,929,594
LIABILITIES AND EQUITY			
Liabilities			
Due to banks	12	**979,895**	3,450,493
Accounts payable and other liabilities	18	**11,984,330**	4,706,649
Borrowings from banks and financial institutions	19	**159,944,187**	159,262,241
Provision for end of service indemnity		**282,551**	369,721
Total liabilities		**173,190,963**	167,789,104
Equity			
Equity attributable to the owners of the Parent Company			
Share capital	20	**75,000,000**	75,000,000
Share premium	20	**5,896,598**	41,728,788
Treasury shares	21	**(5,870,926)**	(5,896,598)
Gain on sale of treasury shares		**71,321**	109,397
Cumulative changes in fair value		**4,712,960**	8,523,542
Foreign currency translation reserve		**(8,014,543)**	(6,465,009)
Accumulated losses		**(37,536,742)**	(58,215,540)
Total equity attributable to the owners of the Parent Company		**34,258,668**	54,784,580
Non-controlling interests		**26,650,120**	48,355,910
Total equity		**60,908,788**	103,140,490
Total liabilities and equity		**234,099,751**	270,929,594

Abdullatif A. Al-Asfour
Chairman & Managing Director

Abdulghani M.S. Behbehani
Vice Chairman

The notes from 1 to 32 form an integral part of these consolidated financial statements.

Noor Financial Investment Company KSC (Closed) and Subsidiaries
Kuwait
Consolidated Statement of Changes in Equity – Year ended 31 December 2011

	Kuwaiti Dinars									
	Attributable to the 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	Total	Non-controlling interests	Total
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
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	(34,118)	(34,118)
Net change in non-controlling interests (note 20c)	-	-	-	-	-	-	-	-	(18,578,032)	(18,578,032)
Acquisition of treasury shares	-	-	(16,606)	-	-	-	-	(16,606)	-	(16,606)
Set off of accumulated losses	-	(35,832,190)	-	-	-	-	35,832,190	-	-	-
Disposal of treasury shares	-	-	42,278	(38,076)	-	-	-	4,202	-	4,202
Transactions with owners	-	(35,832,190)	25,672	(38,076)	-	-	35,832,190	(12,404)	(18,612,150)	(18,624,554)
Loss for the year							(15,153,392)	(15,153,392)	(2,580,181)	(17,733,573)
Total other comprehensive loss for the year	-	-	-	-	(3,810,582)	(1,549,534)	-	(5,360,116)	(513,459)	(5,873,575)
Total comprehensive loss 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 1 to 32 form an integral part of these consolidated financial statements.

Noor Financial Investment Company KSC (Closed) and Subsidiaries
Kuwait
Consolidated Statement of Changes in Equity – Year ended 31 December 2011

	Kuwaiti Dinars									
	Attributable to the 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**	**Total**	**Non-controlling interests**	**Total**
Balance as at 1 January 2010	75,000,000	41,728,788	(5,873,287)	109,397	5,463,039	(5,360,100)	(27,591,783)	83,476,054	17,702,366	101,178,420
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	(390,705)	(390,705)
Net increase in non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	-	31,885,225	31,885,225
Increase in treasury shares	-	-	(23,311)	-	-	-	-	(23,311)	-	(23,311)
Transactions with owners	-	-	(23,311)	-	-	-	-	(23,311)	31,494,520	31,471,209
Loss for the year	-	-	-	-	-	-	(30,623,757)	(30,623,757)	(902,621)	(31,526,378)
Total other comprehensive income for the year	-	-	-	-	3,060,503	(1,104,909)	-	1,955,594	61,645	2,017,239
Total comprehensive income for the year	-	-	-	-	3,060,503	(1,104,909)	(30,623,757)	(28,668,163)	(840,976)	(29,509,139)
Balance as at 31 December 2010	**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**

The notes 1 to 32 form an integral part of these consolidated financial statements.

Noor Financial Investment Company KSC (Closed) and Subsidiaries
Kuwait
Consolidated Statement of Cash Flows – Year ended 31 December 2011

	Note	Kuwaiti Dinars 2011	2010
OPERATING ACTIVITIES			
Loss for the year		**(17,733,573)**	(31,526,378)
Adjustments:			
Realised gain on sale of available for sale investments		**(495,643)**	(1,661,339)
Changes in fair value of investment in properties		**(167,571)**	3,455,155
Dividend income		**(2,784,527)**	(1,879,914)
Interest income		**(305,513)**	(304,949)
Negative goodwill on acquisition of a subsidiary		**-**	(507,826)
Realised gain on sale of investment property		**(47,204)**	-
Unwinding of discount		**(811,036)**	-
Share of profit of associates	16	**(3,069,535)**	(1,980,431)
Depreciation	8	**205,262**	1,255,155
Provision for end of service indemnity		**52,825**	114,676
Finance costs		**7,983,285**	9,309,589
Impairment		**10,829,640**	19,885,061
Effect of discounting of accounts receivable		**555,748**	1,753,171
		(5,787,842)	(2,088,030)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**14,321,641**	7,652,421
Accounts receivable and other assets		**(4,297,551)**	4,614,441
Accounts payable and other liabilities		**11,823,340**	(1,700,574)
Net cash from operating activities		**16,059,588**	8,478,258
INVESTING ACTIVITIES			
Change in blocked deposits	12	**(105,000)**	1,150,000
Wakala investments liquidated/(placed)		**7,882,187**	(4,343,380)
Purchase of available for sale investments		**(2,857,761)**	-
Proceeds from sale of available for sale investments		**5,590,572**	9,317,831
Investment in associates		**-**	(451,905)
Proceeds from/(sale of) investment properties (net)		**1,261,834**	(5,895,556)
Proceeds from sale /(acquisition) of equipment		**58,548**	(240,263)
Dividend income received		**3,876,252**	2,078,625
Interest income received		**330,248**	311,514
Net cash from investing activities		**16,036,880**	1,926,866
FINANCING ACTIVITIES			
Repayment of short term borrowings (net)		**(1,888,650)**	(1,346,218)
(Acquisition of)/proceeds from disposal of treasury shares		**(12,404)**	(23,311)
Dividend paid to non-controlling interest by subsidiaries		**(65,030)**	-
Investment by non-controlling interest holders of subsidiaries		**-**	1,973,228
Dividend paid		**(73,673)**	(390,705)
Payments to subsidiary's shareholders on account of capital reduction		**(10,615,080)**	-
Finance costs paid		**(8,568,520)**	(9,458,708)
Net cash used in financing activities		**(21,223,357)**	(9,245,714)
Net increase in cash and cash equivalents		**10,873,111**	1,159,410
Cash and cash equivalents at beginning of the year		**13,168,065**	12,008,655
Cash and cash equivalents at end of the year (Note 12)		**24,041,176**	13,168,065

The notes 1 to 32 form an integral part of these 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 in May 2006 its shares were listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries (Note 5) are together referred to as "the Group". The Parent Company is regulated by the Central Bank of Kuwait (CBK) 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 either by 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 also has the right to participate and subscribe, in any way in other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The Parent Company's registered office is at Basement floor, Noor Investment Co. 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 29 May 2012. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2. New and revised International Financial Reporting Standards and Interpretations

During the year, the Group has adopted the following new and revised International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB):

IAS 24 Related Party Transactions (Amendment) effective 1 January 2011

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of the Group. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment) effective 1 February 2010

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable the Group to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of the Group's non-derivative equity instruments, to acquire a fixed number of the Group's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these types of instruments.

Annual Improvements 2010

The IASB issued in May 2010 Improvements to IFRS. Most of these amendments became effective in annual periods beginning on or after 1 July 2010 and 1 January 2011. The 2010 Improvements amended certain provisions of IFRS 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The adoption did not have any material impact on the financial position or performance of the Group.

The adoption of the new and revised standards did not have a material impact on the consolidated financial statements of the Group.

The following IASB Standards and International Financial Reporting Interpretation Committee (IFRIC) Interpretation have been issued but are not yet effective and have not been early adopted by the Group:

Management anticipates that all of the 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 relevant to the Group's operations and therefore not expected to have a material impact on the Group's consolidated financial statements.

IFRS 9	Financial Instruments (effective for annual periods beginning on or after 1 January 2015)
IFRS 10	Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
IFRS 11	Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)
IFRS 13	Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011)
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)
IAS 19 (as revised in 2011)	Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
IAS 27 (as revised in 2011)	Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)

In May 2011, Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 (as revised in 2011). These are effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Although early application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided in December 2009, to postpone this allowed early application until further notice.

IFRS 10 replaces the parts of IAS 27 : Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 : Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 : Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 : Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 7 Financial Instruments: Disclosures — Enhanced De-recognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the Group's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

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.

3. Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2010 except as noted in note 2 above. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements have been prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company for the year ended 31 December 2011, and the financial statements of its subsidiaries prepared to that date, using consistent accounting policies.

Subsidiaries are those enterprises controlled by the Group and are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the equity attributable to the owners of the Parent Company.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at re-valued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Parent Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 : Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. The acquirer's identifiable assets, liabilities and contingent liabilities are recognised initially at their fair values at the acquisition date.

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

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

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Recognition of income

Income is recognised to the extent it is probable that the economic benefits will flow to the Group and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Dividend income

Dividend income is recognised when the right to receive payment is established.

Fee income

Management fees relating to portfolio management services and other fee income are recognised as the services are provided.

Interest income

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

Finance costs

Finance costs are calculated and recognised on a time proportion basis taking into account the principal loan balance outstanding and the interest rate applicable.

Cash and cash equivalents

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

Financial instruments

Classification

The Group classifies financial assets upon initial recognition into the following categories:

i. Investments at fair value through profit or loss
ii. Loans and receivables
iii. Available for sale investments

Investments at fair value through profit or loss 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.

Investments are classified as designated at fair value through profit or loss at inception if they have readily available reliable fair values and the changes in fair values are reported as part of the statement of income in the management accounts, according to a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables are classified under "cash and bank balances", "short term deposits", "accounts receivable and other assets" and "Murabaha and Wakala investments" in the consolidated statement of financial position.

Financial assets which are not classified as above are classified as available for sale investments.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of these financial instruments at initial recognition.

Measurement

Investments at fair value through profit or loss

Investments at fair value through profit or loss are initially recognised at cost, being the fair value of the consideration given, excluding transaction costs.

Subsequent to initial recognition, investments at fair value through profit or loss are re-measured at fair value and changes in fair value are recognised in the consolidated statement of income.

Loans and receivables

Loans and receivables are stated at amortised cost using the effective interest method.

Available for sale investments

Available for sale investments are initially recognised at cost, being the fair value of the consideration given, plus transaction costs that are directly attributable to the acquisition.

Subsequent to initial recognition, available for sale investments are re-measured at fair value unless fair value cannot be reliably measured, in which case they are measured at cost less impairment, if any.

Changes in fair value of available for sale investments are recognised in other comprehensive income under "cumulative changes in fair value" account until the investment is either derecognised or determined to be impaired. On de-recognition or impairment, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the consolidated statement of income.

Fair values

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the consolidated statement of financial position date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each consolidated statement of financial position date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Financial liabilities

Financial liabilities are classified as other than at fair value through profit or loss. The Group's other than at fair value through profit or loss liabilities are classified under "due to banks", "accounts payable and other liabilities" and "borrowings from banks and financial institutions" in the consolidated statement of financial position.

Borrowings

Borrowings are stated at their principal amount. Interest is charged as an expense as it accrues, with unpaid amounts included in other liabilities, classified as "other than at fair value through profit or loss".

All financial liabilities are stated at amortised cost using the effective interest method.

Recognition and de-recognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired or 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 the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition 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.

Trade or settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group 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 regulations or conventions in the market place concerned.

Investment in associates

An associate is a company over which the Group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the Group's share of the associates' results using the equity method of accounting.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. The Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date the influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate, arising from changes in the associate's equity that have not been recognised in the associate's statement of income. The Group's share of those changes is recognised directly in consolidated statement of changes in equity. 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.

Unrealised gains on transactions with associates are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

Investment properties

Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property. Subsequent to initial recognition, investment properties are re-measured at fair value on an individual basis, based on valuations by independent real estate valuers. 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 investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Impairment of financial assets

An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

a. For financial assets carried at fair value, impairment is the difference between cost and fair value.

b. For financial assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

c. For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision (1% for cash facilities and 0.5% for non-cash facilities) is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for reversal of impairment losses related to equity instruments classified as available for sale, all other impairment reversals are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Impairment reversals in respect of equity instruments classified as available for sale are recognised in the other comprehensive income in the cumulative changes in fair value account.

Impairment of non-financial assets

The Group assesses at each statement of financial position date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

Equipment and depreciation

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.

Treasury shares

The Group's holding in the Parent Company's shares is accounted for as treasury shares. Such shares are stated at cost as a deduction within equity and no cash dividends are distributed on these shares. The issue of bonus shares increase the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Gains resulting from the sale of treasury shares are taken directly to equity under "gain on sale of treasury shares reserve". Should the reserve fall short of any losses from the sale of treasury shares, the difference is charged to retained profits then reserves. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves then retained profits equal to the loss previously charged to these accounts.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) resulting from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

End of service benefits are calculated on the basis of accumulated periods of service of employees as at the consolidated statement of financial position date in accordance with the Kuwait labour law for the private sector. The defined benefit plan is unfunded and is computed as the amount payable as a result of involuntary termination on the consolidated statement of financial position date. This basis is considered to be a reliable appropriation of the present value of final obligation.

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.

Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency. 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.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to "foreign exchange gain/loss" in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation difference on non-monetary asset classified as, "fair value through profit or loss" are reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the Parent Company's presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the consolidated statement of financial position date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to the particular foreign operation is recognised in the consolidated statement of income.

Contingencies

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.

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

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Judgments

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

Classification of financial assets

Management decides on acquisition of an investment whether it should be classified as held for trading, designated at fair value through profit or loss, loans and receivables or available for sale. In making that judgement the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of income or directly in other comprehensive income.

Classification of real estate property

Management decides on acquisition of a real estate whether it should be classified as trading, or investment property.

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

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

Impairment of available for sale investments

The Group treats certain financial assets as available for sale and recognises movements in their fair value in other comprehensive income. When fair value declines, management makes an assessment regarding the decline in value to determine whether there is an impairment that should be recognised in the consolidated statement of income. During the year ended 31 December 2011 impairment losses recognised for available for sale investments amounted to KD 9,649,472 (2010: KD 4,632,187) (note 15c).

Impairment of loans and receivables

The Group's management reviews periodically items classified as loans and receivables (including wakala investments) to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment 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 2011 impairment losses recognised for wakala investments, accounts receivable and other assets amounted to KD 846,482 (2010: KD 15,252,874) (note 14).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instruments that is substantially the same;
- an earnings multiple ;
- the expected cash flow discounted at current rates applicable for items with similar terms and risk characteristics;
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.
Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying value of the above assets.

5. Subsidiary companies

Significant consolidated subsidiaries of the Group are as follows:

Subsidiary	Percentage ownership		Principal activity
	2011	2010	
Noor Kuwait for Economic & Management Consulting KSCC	**100%**	100%	Administrative & economic consulting & related activities
Kuwait India Holding Company KSCC	**57%**	57%	Investment & related activities
Plexus Information Systems & Computers KSCC (51% direct and 25% indirect holding)	**76%**	76%	Information technology
Noor Jordanian Kuwaiti Financial Investment Co. Ltd, Jordan	**100%**	100%	Investment & related activities
Noor Salihiya Real Estate Co. KSCC	**100%**	100%	Real estate development
Noor Real Estate Income Fund	**66%**	66%	Real Estate Investments
Noor Telecommunication Company KSCC	**51%**	51%	Telecommunications
Hotel Global Group PSC, Jordan	**100%**	39%	Hospitality
Noor Jordan Kuwait Transport Company JSCC, Jordan	**-**	100%	Transport & related activities

** All rounded to nearest percent.*

6. Unrealised loss on investments at fair value through profit or loss

This represents the difference between closing market value 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.

7. Interest and other income

	Kuwaiti Dinars	
	2011	2010
Interest income (from call accounts included under bank balances and short term deposits)	263,428	247,349
Realised loss on dealing in foreign currencies (net)	-	(260,805)
Income from murabaha and wakala investments	42,085	57,600
Loss from transportation business of a foreign subsidiary (net)	(238,275)	(1,099,320)
Negative goodwill on acquisition of a subsidiary (note 29)	-	507,826
Effect of un-winding of discount on receivables (note 14)	881,281	-
Income from financing future trade by customers	479,375	237,874
Income from IT services	490,347	946,031
Rental income	445,701	178,410
Other income	554,396	270,011
	2,918,338	1,084,976

8. General, administrative and other expenses

General, administrative and other expenses include the following:

	Kuwaiti Dinars	
	2011	2010
Staff costs	1,893,666	3,393,627
Depreciation	205,262	1,255,155

Number of staff employed by the Parent Company as at 31 December 2011 was 37 (2010: 34).

9. Net loss on financial assets

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

	Kuwaiti Dinars	
	2011	2010
Loans and receivables		
- cash and bank balances and short term deposits	263,428	247,349
- realized loss on dealing in foreign currencies	-	(260,805)
- wakala investment	42,085	57,600
- accounts receivables and other assets (income from financing future trade by customers)	479,375	237,874
- Impairment in value of accounts receivables and other assets	(846,482)	(15,252,874)
- Effect of discounting of accounts receivable	(555,748)	(1,753,171)
Investments at fair value through profit or loss		
- held for trading	(6,518,586)	66,967
- designated as such on initial recognition	-	1,215,397
Available for sale investments		
- recognised directly in consolidated statement of comprehensive income (net)	(3,976,544)	5,287,959
- recognised directly in consolidated statement of income		
on impairment	(9,649,472)	(3,215,139)
on sale and dividend income	2,398,393	513,595
- recycled from equity to consolidated statement of income		
on impairment	-	(1,417,048)
on sale	283,675	2,237,704
	(18,079,876)	(12,034,592)
Distributed as follows:		
Net loss recognised in the consolidated statement of income	(14,103,332)	(17,322,551)
Net (loss)/gain recognised in the consolidated statement of comprehensive income	(3,976,544)	5,287,959
	(18,079,876)	(12,034,592)

10. Finance costs

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

11. Basic and diluted loss per share

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

	Kuwaiti Dinars	
	2011	2010
Loss for the year attributable to the owners of the Parent Company	(15,153,392)	(30,623,757)
Weighted average number of shares outstanding during the year	750,000,000	750,000,000
Less: Weighted average number of treasury shares	(16,074,197)	(15,745,695)
	733,925,803	734,254,305
Basic and diluted loss per share (Fils)	(21)	(42)

12. Cash and cash equivalents and murabaha & wakala investments

a) Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated statement of cash flows are made up of the following:

	Effective interest/ profit rate % (per annum)		Kuwaiti Dinars	
	2011	**2010**	**2011**	**2010**
Cash and bank balances	**0.25%-0.50%**	0.25%-0.50%	**24,604,419**	15,095,294
Short term deposits	**0.22%-4.80%**	0.22%-4.80%	**531,652**	1,533,264
Due to banks	**5.00%-5.50%**	5.00%-5.50%	**(979,895)**	(3,450,493)
			24,156,176	13,178,065
Less: Blocked balances			**(115,000)**	(10,000)
Cash and cash equivalents as per cash flow statement			**24,041,176**	13,168,065

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 1,976,247 included in cash and bank balances is secured against bank loans (2010 : KD 1,983,763) (note 19).

Due to banks represent bank overdraft facilities obtained and utilized by the Group.

b) Murabaha and wakala investments

	Effective interest/ profit rate % (per annum)		Kuwaiti Dinars	
	2011	**2010**	**2011**	**2010**
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	**0.625%-2.315%**	1%	**6,881,081**	14,763,268
			6,881,081	14,763,268

No profit was recognised on impaired wakala investment during the current year (2010: Nil).

Wakala investments of KD 14,968,250 (2010: 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 the previous year. Full provision has been made for these receivables in accordance with the Central Bank of Kuwait credit provisioning rules.

During 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 KD 9,968,250 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 KD 9,968,250 including profits thereon.

13. Investments at fair value through profit or loss

	Kuwaiti Dinars	
	2011	**2010**
Held for trading:		
Quoted shares	**22,745,713**	36,548,987
Designated on initial recognition:		
Local funds	**2,664,835**	3,183,250
	25,410,548	39,732,237

a) In 2008 as a result of significant developments in the global financial markets, the Group 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 2011 was KD 40,101,151 (2010: KD 48,331,884) (note 15d).

b) Quoted shares with a fair value of KD 3,849,759 (2010: KD 4,761,201) are secured against short term bank loans (refer note 19a). Quoted shares with a fair value of KD 10,324,418 (2010 : KD 12,696,412) are secured against long term bank loans (refer note 19c).

14. Accounts receivable and other assets

	Kuwaiti Dinars	
	2011	**2010**
Financial assets:		
Due from the Ultimate Parent Company (net of discount and provision)	**10,793,086**	11,313,176
Due from other related parties	**1,195,352**	2,926,219
Due from investment brokerage companies	**7,436,017**	9,370,645
Due from Kuwait Clearing Company (future trade)	**4,556,014**	2,749,895
Due on sale of investment properties (net)	**7,819,434**	-
Advance payments to acquire investments (net of provision)	**1,582,784**	1,393,420
Accrued income	**1,030,461**	2,532,316
Other financial assets	**253,600**	431,381
	34,666,748	30,717,052
Non-financial assets:		
Other assets	**1,399,405**	1,051,550
	36,066,153	31,768,602

Due from the Ultimate Parent Company is shown net of discount of KD 942,135 at 31 December 2011 (31 December 2010 : KD1,753,171). The effect of unwinding of this discount for the year ended 31 December 2011 amounting to KD 811,036 (2010 : Nil) is recognised as other income (Note: 7).

Due on sale of 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 555,748 (31 December 2010: Nil) has been recognised in the consolidated statement of income. The effect of unwinding of discount for the year ended 31 December 2011 on this receivable amounted to KD 70,245 (2010 : Nil), recognised in other income (note 7).

In 2010, the Group recognised an impairment loss of KD 2,177,569 for certain investment projects under progress.

Due from the Ultimate Parent Company represents management fee and other receivables of KD 1,224,752 and KD 14,834,400 respectively. (2010 : KD 1,033,279 and KD 16,357,000) paid by the Parent Company for the purpose of acquiring certain investments on behalf of the Parent Company. As this transaction could not be concluded, the Ultimate Parent Company has agreed to repay KD 17,250,000 over twenty six months and has provided collateral in the form of shares of an unlisted local entity whose fair value as of 31 December 2011 approximates the amount due. In 2010, an impairment provision of KD 4,323,932 was recognised on the balance due from the Ultimate Parent Company and KD 8,751,373 on balance due form related party in the consolidated statement of income based on Central Bank of Kuwait's instructions.

During the year, the Group recognised an impairment loss of KD 846,482 against the due from the Ultimate Parent Company relating to accrued management fees (2010: Nil).

15. Available for sale investments

	Kuwaiti Dinars	
	2011	**2010**
Quoted shares	**61,005,303**	70,341,814
Unquoted shares	**10,325,059**	19,383,872
Foreign funds	**7,864,778**	5,325,857
	79,195,140	95,051,543

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 KD 3,894,712 (2010: KD 732,834) 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 KD 12,702,936 (2010: KD 15,879,513) are secured against long term bank loan and KD 258,329 (2010 : KD 210,638) against shorter term loans(refer note 19).

c. During the year, the Group recognised an impairment loss of KD 5,166,883 (2010: KD 1,231,144) for certain local and foreign quoted shares, as the market value of these shares at consolidated statement of financial position date declined significantly below their costs. Further the Group also recognised an impairment loss of KD 4,482,589 (2010: KD 3,401,043) 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 consolidated statement of financial position date.

d. Quoted shares with a carrying value of KD 40,101,151 at 31 December 2011 (2010: KD 48,331,884) represents investments which were transferred from investments at fair value through profit or loss as of 1 July 2008 (refer note 13).

16. Investment in associates

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

Associates	Country of incorporation	Percentage of ownership		Principal activity
		2011	2010	
Meezan Bank Ltd.	Pakistan	**49.10%**	49.10%	Islamic Banking
Hotel Global Group PSC (Note 5)	Jordan	**-**	38.71%	Hospitality
Al Raya Global Real Estate Company JSCC	Jordan	**50.00%**	50.00%	Real Estate

Aggregate share of associates' assets and liabilities of the Group:

	Kuwaiti Dinars	
	2011	2010
Assets	**320,917,265**	271,736,067
Liabilities	**284,719,718**	235,992,165

Aggregate share of associates' revenue and profit of the Group:

	Kuwaiti Dinars	
	2011	2010
Revenue	**17,357,473**	12,189,232
Profit	**3,069,535**	1,980,431

Investment in Meezan Bank Ltd. with a carrying value of KD 31,817,009 (2010: KD 29,756,271) has a fair value of KD 21,280,928 (2010: KD 18,959,180) based on price quoted on the Karachi Stock Exchange on 31 December 2011. Management is confident that the carrying value of this investment is not impaired. An impairment loss of KD 333,686 was recognised during the year on one of the Group's investment in an associate.

17. Investment properties

The movement in investment properties is as follows:

	Kuwaiti Dinars	
	2011	2010
Fair value as at 1 January	**23,838,977**	21,398,576
Additions	**2,837,884**	5,895,556
Disposals	**(14,105,434)**	-
Changes in fair value	**167,571**	(3,455,155)
	12,738,998	23,838,977

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

	Kuwaiti Dinars	
	2011	**2010**
Kuwait	**12,400,000**	9,353,000
Saudi Arabia	-	14,105,434
Jordan	**338,998**	380,543
	12,738,998	23,838,977

At 31 December 2011, the Group re-valued its properties based on valuations provided by independent valuers and recorded a valuation gain of KD 167,571 (2010: loss of KD 3,455,155) in the consolidated statement of income.

Additions during the year represents local real estate properties acquired, through a subsidiary, for a consideration of KD 2,243,125 and improvements on an investment property amounting to KD 594,759.

The Group disposed two of its investments properties located in Saudi Arabia for a consideration of KD14,152,638, which resulted in a gain of KD 47,204. The consideration due on sale of one of the properties amounting to KD12,404,655 (net of foreign exchange loss of KD 150,976) is due in instalments over a period of two years and the Group has included this amount under accounts receivable and other assets. In October 2011, the Group received KD 4,099,718 and balance is due in November 2012 and November 2013 (refer note 14).

18. Accounts payable and other liabilities

	Kuwaiti Dinars	
	2011	**2010**
Financial liabilities:		
Accrued interest	**540,593**	1,125,828
Accrued expenses	**889,214**	1,469,875
Dividend payable	**69,593**	143,266
Due to investment brokerage companies	**2,943**	3,131
Other payables	**219,529**	1,782,005
Due to related parties	**2,504,821**	-
Payable on account of capital reduction in subsidiary (Note 20c)	**7,575,093**	-
	11,801,786	4,524,105
Non-financial liabilities:		
Other payables	**182,544**	182,544
	11,984,330	4,706,649

All above financial liabilities are non-interest bearing.

19. Borrowings from banks and financial institutions

	Effective interest/ cost rate (p.a.%)		Security	Kuwaiti Dinars	
	2011	**2010**		**2011**	**2010**
Short term					
Loans payable – Kuwaiti Dinar	**5.00 – 5.50**	5.00 - 5.50	Unsecured	**36,574,000**	59,500,000
Loans payable – Kuwaiti Dinar	**5.00 – 6.00**	5.00 - 5.50	Secured	**3,540,000**	23,540,000
Loans payable – US Dollars	**4.33 – 5.71**	4.33 - 5.04	Unsecured	**-**	28,100,000
Wakala payable – Kuwaiti Dinar	**6.00 – 6.5**	3.00 - 6.50	Unsecured	**44,000,000**	44,000,000
Loans payable – Jordanian Dinar	**3.90 – 5.90**	3.90 -8.75	Secured	**2,335,187**	4,122,241
				86,449,187	159,262,241
Long term					
Loans payable – Kuwaiti Dinar	**5.00 – 6.00**	-	Secured	**73,495,000**	-
				159,944,187	159,262,241

a. Short term loans amounting to KD 3,540,000 (2010: KD 23,540,000) are secured by investments at fair value through profit or loss (refer note 13) and available for sale investments (refer note 15).

b. Loans amounting to KD 2,335,187 are secured by bank balances (note 12) (2010: KD 2,138,478 secured by equipment of Noor Jordan Kuwait Transport Company JSCC with net book value of KD 2,174,576 and bank balance of KD 1,983,763).

c. During the year, the Group restructured its financing arrangement with some local banks and accordingly loans amounting to KD 73,495,000 were converted into secured long term facilities. As per restructured loan agreements, these loans are required to be 100% secured. Currently, these are partly secured (note 13, 15) and the process of identification and securitization of the required balance investment portfolios is currently underway.

The above loans mature as follows:

	Kuwaiti Dinars	
	2011	**2010**
Short term loans due within one year	**86,449,187**	155,140,000
Current portion of long term-loans due within one year	**7,349,500**	-
Due after more than one year	**66,145,500**	4,122,241
	159,944,187	159,262,241

20. Share capital and share premium

a. The authorized and issued share capital of the Parent Company comprises of 750,000,000 shares of 100 fils each (31 December 2010: 750,000,000 shares of 100 fils each) fully paid up in cash.

b. The Parent Company's accumulated losses amounting to KD35,832,190 was set off against the balance in the share premium account based on the approval of Parent Company's shareholders at the Annual General Meeting held on 24 November 2011 as the accumulated losses of the Parent Company exceeded 75% of it paid up capital.

c. On 29 September 2011, the shareholders of one of the subsidiaries of the Group, (Noor Telecommunication Company KSCC) decided to decrease its 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 KD 10,615,080.

21. Treasury shares

The Group holds treasury shares as follows:

	Kuwaiti Dinars	
	2011	**2010**
Number of shares	**16,209,211**	16,149,211
Percentage of issued shares	**2.161%**	2.153%
Market value	**-**	670,192
Cost	**5,870,926**	5,896,598

It is not possible to disclose the market value of treasury shares as of 31 December 2011, as the Kuwait Stock Exchange has suspended trading in the Parent Company's shares with effect from 31 March 2011.

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

22. Legal and voluntary reserves

In accordance with the Commercial 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. There are no restrictions on distribution of general reserve.

23. Dividend distribution

The Board of Directors propose not to distribute any dividend for the year ended 31 December 2011 (2010: Nil).

24. 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

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 2011 and 31 December 2010 are as follows:

31 December 2011

	Kuwaiti Dinars		
	Domestic & GCC	International	Total
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
Effect of discounting of receivables	-	555,748	555,748
Share of (loss)/ profit of associates	(993,902)	4,063,437	3,069,535
Interest revenue	305,513	-	305,513
Finance costs	7,983,285	-	7,983,285
Total assets	170,531,109	63,568,642	234,099,751
Total liabilities	(170,852,835)	(2,338,128)	(173,190,963)
Net assets	(321,726)	61,230,514	60,908,788

31 December 2010

	Kuwaiti Dinars		
	Domestic & GCC	International	Total
Income	2,303,151	3,806,720	6,109,871
Loss for the year	(28,627,408)	(2,898,970)	(31,526,378)
Impairment in the value of investments & receivables	14,677,408	5,207,653	19,885,061
Effect of discounting of receivables	1,753,171	-	1,753,171
Share of (loss)/ profit of associates	(890,312)	2,870,743	1,980,431
Interest revenue	247,349	-	247,349
Finance costs	9,257,422	52,167	9,309,589
Total assets	180,033,819	90,895,775	270,929,594
Total liabilities	(163,139,176)	(4,649,928)	(167,789,104)
Net assets	16,894,643	86,245,847	103,140,490

The Group's income from transactions with a single customer does not exceed 10% of the total income of the Group.

25. 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:

	Kuwaiti Dinars	
	2011	2010
Consolidated statement of financial position:		
Due from related parties and Ultimate Parent Company (refer note 14)	12,980,703	15,874,033
Due from related parties on sale of subsidiaries	-	1,328,638
Due to related parties	2,504,821	-

	Kuwaiti Dinars	
Consolidated statement of income:	2011	2010
Management and placement fees		
- earned from Ultimate Parent Company	278,864	577,117
- earned from other related parties	721,313	1,994,025
Finance cost on wakala	-	(615,511)
Provision for impairment on receivables	(896,482)	(13,075,305)
Effect of discounting of accounts receivable (refer note 14)	-	(1,753,171)
Effect of unwinding of discount on accounts receivable	811,036	-

	Kuwaiti Dinars	
	2011	2010
Compensation of key management personnel of the Group:		
Short term employee benefits	151,246	167,700
End of service benefits	140,901	386,777
	292,147	554,477

26. Summary of financial assets and liabilities by category

26.1 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:

	Kuwaiti Dinars	
	2011	2010
Loans and receivables:		
Cash and bank balances	24,604,419	15,095,294
Short term deposits	531,652	1,533,264
Murabaha and wakala investment	6,881,081	14,763,268
Accounts receivable and other assets (note 14)	34,666,748	30,717,052
Investments at fair value through profit or loss: (note 13)		
Trading securities	22,764,647	36,548,987
Investments designated as carried at fair value through profit or loss	2,645,901	3,183,250
Available for sale investments (note 15)	79,195,140	95,051,543
	171,289,588	196,892,658
Other financial liabilities:		
Due to banks (note 12)	979,895	3,450,493
Accounts payable and other liabilities (note 18)	11,801,786	4,524,105
Borrowings from banks and financial institutions (note 19)	159,944,187	159,262,241
Provision for end of service indemnity	282,551	369,721
	173,008,419	167,606,560

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 15 to the consolidated financial statements the carrying amounts of financial assets and liabilities as at 31 December 2011 and 2010 approximate their fair values.

26.2 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:

31 December 2011

	Kuwaiti Dinars			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Investments at fair value through profit or loss				
- Quoted shares	**22,764,647**	**-**	**-**	**22,764,647**
- Local funds	**-**	**2,645,901**	**-**	**2,645,901**
Available for sale investments				
- Quoted shares	**61,005,303**	**-**	**-**	**61,005,303**
- Unquoted shares	**-**	**-**	**10,048,695**	**10,048,695**
- Foreign funds	**-**	**4,246,430**	**-**	**4,246,430**
Total assets	**83,769,950**	**6,892,331**	**10,048,695**	**100,710,976**

31 December 2010

	Kuwaiti Dinars			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Investments at fair value through profit or loss				
- Quoted shares	36,548,987	-	-	36,548,987
- Local funds	-	3,183,250	-	3,183,250
Available for sale investments				
- Quoted shares	70,341,814	-	-	70,341,814
- Unquoted shares	-	-	18,983,512	18,983,512
- Foreign funds	-	4,993,383	-	4,993,383
Total assets	106,890,801	8,176,633	18,983,512	134,050,946

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 unchanged compared to the previous year.

a) Quoted shares

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the statement of financial position date.

b) 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.

c) 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.

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:

	Kuwaiti Dinars
	Available for sale investments
As at 31 December 2009	10,881,657
Additions	13,274,281
Changes in fair value during the year recognised in other comprehensive income	(4,986,522)
Impairment loss recognised in the statement of income	(185,904)
As at 31 December 2010	**18,983,512**
Changes in fair value recognised in other comprehensive income	**(8,638,878)**
Impairment loss recognised in the statement of income	**(295,939)**
As at 31 December 2011	**10,048,695**

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.

27. 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:

27.1 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:

	Equivalent Kuwaiti Dinars	
	2011	**2010**
US Dollar	**25,664,744**	1,052,384
Saudi Riyal	**7,957,966**	2,246,662
UAE Dirham	**3,063,275**	3,928,153
Qatari Riyal	**644,991**	4,163,012

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.

	Equivalent Kuwaiti Dinars	
	2011	**2010**
US Dollar	**(1,283,237)**	(52,619)
Saudi Riyal	**(397,898)**	(112,333)
UAE Dirham	**(153,164)**	(196,408)
Qatari Riyal	**(32,250)**	(208,151)
	(1,866,549)	(569,511)

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:

	Kuwaiti Dinars				
	Up to 1 month	1-3 months	Over12 months	Non-interest bearing items	Total
At 31 December 2011					
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	-	-	-	25,410,548	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	-	-	209,167,050	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)	(73,495,000)	196,900,169	60,908,788
Cumulative interest rate sensitivity gap	15,077,619	(62,496,381)	(135,991,381)		

	Kuwaiti Dinars				
	Up to 1 month	1-3 months	3-12 months	Non-interest bearing items	Total
At 31 December 2010					
ASSETS					
Cash and bank balances	2,991,218	-	-	12,104,076	15,095,294
Short term deposits	1,533,264	-	-	-	1,533,264
Murabaha and wakala investments	14,763,268	-	-	-	14,763,268
Investments at fair value through profit or loss	-	-	-	39,732,237	39,732,237
Accounts receivable and other assets	-	-	-	31,768,602	31,768,602
Available for sale investments	-	-	-	95,051,543	95,051,543
Investment in associates	-	-	-	45,911,382	45,911,382
Investment properties	-	-	-	23,838,977	23,838,977
Equipment	-	-	-	3,235,027	3,235,027
	19,287,750	-	-	251,641,844	270,929,594
LIABILITIES					
Due to banks	1,453,463	1,997,030	-	-	3,450,493
Accounts payable and other liabilities	-	-	-	4,706,649	4,706,649
Short term borrowings	24,040,000	116,100,000	19,122,241	-	159,262,241
Provision for end of service indemnity	-	-	-	369,721	369,721
	25,493,463	118,097,030	19,122,241	5,076,370	167,789,104
Total interest rate sensitivity gap	(6,205,713)	(118,097,030)	(19,122,241)	246,565,474	103,140,490
Cumulative interest rate sensitivity gap	(6,205,713)	(124,302,743)	(143,424,984)	-	-

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 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 (2010: Interest rate +25 and –25 basis point for LIBOR and +25 and -25 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.

	Kuwaiti Dinars			
	Increase in interest rates		Decrease in interest rates	
	2011	2010	**2011**	2010
Loss for the year	**(383,778)**	(358,562)	**383,778**	358,562

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, Bahrain 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 statement of financial position date. If equity prices had been higher by 10%, the effect on the 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 a decrease in loss or equity and an increase in profit or equity, where the equity prices increase by the above mentioned percentages.

	Kuwaiti Dinars			
	Loss for the year		Equity	
	2011	2010	2011	2010
Investments at fair value through profit or loss	**2,276,464**	3,973,223	**-**	-
Available for sale investments				
- Impaired investments (refer *)	**573,906**	1,093,619	**-**	-
- Un-impaired investments	**-**	-	**353,715**	141,704
	2,850,370	5,066,842	**353,715**	141,704

* Had equity prices been higher by 10%, the impairment loss which was recognised in the consolidated statement of income would be reduced and consequently the loss for the years 2011 and 2010 would be lower.

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

27.2 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 consolidated statement of financial position date, as summarized below:

	Kuwaiti Dinars	
	2011	2010
Cash and bank balances	**24,604,419**	15,095,294
Short term deposits	**531,652**	1,533,264
Murabaha and wakala investments	**6,881,081**	14,763,268
Accounts receivable and other assets (refer note 14)	**34,666,748**	30,717,052
Investments at fair value through profit or loss	**2,645,901**	3,183,250
Available for sale investments	**7,864,777**	5,325,857
	77,194,578	70,617,985

Except for the wakala investment referred to in note 12, accounts receivable and other assets referred to in note 14, and available for sale investments referred to in note 15, 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 note 14.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty other than the 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 27.3.

27.3 Concentration of assets

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

	Kuwait Dinars				
	Kuwait	Middle East	Asia & Africa	Europe & USA	Total
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 14)	**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 FIs	**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**

	Kuwait Dinars				
	Kuwait	Middle East	Asia & Africa	Europe & USA	Total
At 31 December 2010					
Cash and bank balances	12,497,829	2,059,636	407,245	130,584	15,095,294
Short term deposits	1,533,264	-	-	-	1,533,264
Murabaha and wakala investments	14,763,268	-	-	-	14,763,268
Investments at fair value through profit or loss	30,100,160	5,483,278	3,971,091	177,708	39,732,237
Accounts receivable and other assets (note 14)	19,724,198	2,733,165	135,007	8,124,682	30,717,052
Available for sale investments	66,205,906	17,765,955	2,644,048	8,435,634	95,051,543
	144,824,625	28,042,034	7,157,391	16,868,608	196,892,658
Due to banks	3,450,493	-	-	-	3,450,493
Accounts payable and other liabilities	4,520,974	-	3,131	-	4,524,105
Borrowings from banks and FIs	155,140,000	4,122,241	-	-	159,262,241
Provision for end of service indemnity	369,721	-	-	-	369,721
	163,481,188	4,122,241	3,131	-	167,606,560

27.4 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 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 consolidated statement of financial position 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:

	Kuwaiti Dinars		
At 31 December 2011	**1 year**	**Over 1 year**	**Total**
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**

	Kuwaiti Dinars		
At 31 December 2010	**1 year**	**Over 1 year**	**Total**
ASSETS			
Cash and bank balances	15,095,294	-	15,095,294
Short term deposits	1,533,264	-	1,533,264
Murabaha and wakala investments	14,763,268	-	14,763,268
Investment at fair value through profit or loss	39,732,237	-	39,732,237
Accounts receivable and other assets	21,705,427	10,063,175	31,768,602
Available for sale investments	-	95,051,543	95,051,543
Investment in associates	-	45,911,382	45,911,382
Investment properties	-	23,838,977	23,838,977
Equipment	-	3,235,027	3,235,027
	92,829,490	178,100,104	270,929,594
LIABILITIES			
Due to banks	3,450,493	-	3,450,493
Accounts payable and other liabilities	4,706,649	-	4,706,649
Borrowings from banks and financial institutions	159,262,241	-	159,262,241
Provision for end of service indemnity	-	369,721	369,721
	167,419,383	369,721	167,789,104

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

	Kuwait Dinars				
31 December 2011	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Total**
Financial liabilities					
Due to banks	**982,445**	**-**	**-**	**-**	**982,445**
Accounts payable and other liabilities	**-**	**-**	**11,801,786**	**-**	**11,801,786**
Borrowings from banks and FIs	**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**

	Kuwait Dinars				
31 December 2010	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Total**
Financial liabilities					
Due to banks	973,943	2,507,595	-	-	3,481,538
Accounts payable and other liabilities	57,740	1,068,088	3,398,277	-	4,524,105
Short term borrowings	24,065,101	117,146,317	19,644,488	-	160,855,906
Provision for end of services indemnity	-	-	-	369,721	369,721
	25,096,784	120,722,000	23,042,765	369,721	169,231,270

28. Capital risk management

The Group's capital 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 20.

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:

	Kuwaiti Dinars	
	2011	**2010**
Borrowings from banks and financial institutions (refer note 19)	**159,944,187**	159,262,241
Less: Cash and cash equivalents (refer note 12)	**(24,041,176)**	(13,168,065)
Net debt	**135,903,011**	146,094,176
Total equity	**60,908,788**	103,140,490

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

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

	Kuwaiti Dinars	
	2011	**2010**
Net debt	**135,903,011**	146,094,176
Total equity	**60,908,788**	103,140,490
Net debt to total equity ratio	**223%**	142%

29. 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 2011 amounted to KD 155,895,031 (2010: KD 246,777,202) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD 121,792,803 (2010: KD 195,576,672).

30. Contingent liabilities

Group's share of a foreign associate's contingent liabilities:

	Kuwaiti Dinars	
	2011	**2010**
Guarantees	**7,453,669**	8,593,152
Letters of credit	**22,146,506**	20,776,787
Commitments in respect of forward exchange contracts	**80,637,948**	61,997,748
Commitment for the acquisition of operating fixed assets	**202,815**	345,203
Commitment in respect of financing	**50,865,985**	44,886,705
Bills for collection	**11,250,942**	6,895,471
Senior executive bonus incentive scheme	**148,125**	132,446
	172,705,990	143,627,512

Guarantees and capital commitments

At the consolidated statement of financial position date the Group was contingently liable for KD2,385,374 towards available for sale investments and investment property (2010: KD 543,809) and guarantees amounting to KD 7,280,629 (2010: KD 7,915,592).

31. Events after the reporting period

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 (KD 280,000) 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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