KUWAIT BUSINESS TOWN REAL ESTATE COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH
INDEPENDENT AUDITORS' REPORT

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CONTENTS

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Kuwait Business Town Real Estate Company - K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kuwait Business Town Real Estate Company - K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as of December 31, 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 qualified audit opinion.

Basis of qualified opinion

The consolidated financial statements of the Group include the financial statements of a subsidiary, United National Holding Co. K.S.C. (Holding) ("UNHC"), with total assets of KD 58,936,542 (2010 - KD 55,025,068), and net loss for the year of KD 174,383 (2010 - KD 13,950,575). The aforesaid financial statements of UNHC were audited by other auditor who has expressed an unqualified opinion dated ~~July~~ June 30, 2012. We were unable to obtain access to the accounting records of the entity for the purpose of obtaining sufficient audit evidence to satisfy ourselves on the amounts included in the consolidated financial statements related to the entity. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the effect of the matters described in the 'Basis of Qualified Opinion' paragraph above, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note (28) to the consolidated financial statements relating to a going concern of a subsidiary company.

Report on Other Legal and Regulatory Requirements

Furthermore, 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, except for the limitations described in the "Basis for Qualified Opinion" paragraph above, 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, as amended, and by the Parent Company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the Parent Company's articles of association, have occurred during the year ended 31 December 2011 that might have had a material effect on the business of the Parent Company or on its financial position.

Waleed A. Al-Osaimi
Licence No. 68-A
of Ernst & Young

Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
August 13, 2012

KUWAIT BUSINESS TOWN REAL ESTATE COMPANY - K.S.C (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2011	2010
Cash and cash equivalents	4	**539,924**	2,085,100
Investments at fair value through statement of income	5	**15,447,786**	26,766,167
Accounts receivable and other debit balances	6	**755,825**	2,036,574
Investments available for sale	7	**52,751,733**	34,355,833
Investment in associates	8	**-**	2,899,170
Investment properties	9	**39,687,150**	5,226,000
Properties under development	10	**15,500,000**	63,232,295
Property and equipment		**57,175**	68,665
Total assets		**124,739,593**	136,669,804
LIABILITIES AND EQUITY			
Liabilities:			
Bank overdraft	4	**2,231,365**	-
Short term loans and bank facilities	11	**46,240,307**	46,744,795
Accounts payable and other credit balances	12	**4,355,692**	2,506,027
Term loans	13	**7,375,000**	7,996,216
Total liabilities		**60,202,364**	57,247,038
Equity:			
Share capital	14	**78,568,800**	78,568,800
Treasury shares	15	**(162,406)**	(162,406)
Statutory reserve	16	**1,958,607**	1,958,607
Voluntary reserve	17	**1,958,607**	1,958,607
Cumulative changes in fair value		**4,827,540**	4,507,111
Accumulated losses		**(22,625,195)**	(7,418,633)
Equity attributable to equity holders of the Parent Company		**64,525,953**	79,412,086
Non-controlling interests		**11,276**	10,680
Total equity		**64,537,229**	79,422,766
Total liabilities and equity		**124,739,593**	136,669,804

The accompanying notes (1) to (28) form an integral part of the consolidated financial statements.

KBT Kuwait Business Town
شركة مدينة الأعمال الكويتية العقارية

Yaser Haji Abulhasan
Chairman

KUWAIT BUSINESS TOWN REAL ESTATE COMPANY - K.S.C (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011
(All amounts are in Kuwaiti Dinars)

	Notes	2011	2010
Revenue:			
Net investment income	18	**2,871,991**	7,398,370
Impairment loss on investments available for sale	7	**(1,353,651)**	(3,224,755)
Share of result of an associate	8	**(1,881,489)**	-
Impairment loss on investment in an associate	8	**(914,261)**	-
Gain on sale of investment in an associate		**3,578,425**	-
Change in fair value of investment properties	9	**(4,599,553)**	40,645
Loss on sale of properties under development	10	**-**	(1,659,274)
Change in fair value of properties under development	10	**(9,902,564)**	265,000
Loss on disposal of property and equipment		**(37,247)**	-
Loss on cancellation of construction contract		**(508,936)**	-
Interest income		**176**	4,259
Rental income		**1,049,059**	368,275
Other income		**27,325**	29,611
		(11,670,725)	3,222,131
Expenses:			
General and administrative expenses		**(831,387)**	(729,642)
Finance costs		**(2,704,677)**	(2,120,136)
Provision for doubtful debts		**-**	(7,025)
(Loss) profit for the year before National Labor Support Tax (NLST) and Zakat		**(15,206,789)**	365,328
NLST	20	**-**	(9,384)
Zakat	21	**-**	(3,754)
Net (loss) profit for the year		**(15,206,789)**	352,190
Attributable to:			
Equity holders of the Parent Company		**(15,206,562)**	350,521
Non-controlling interests		**(227)**	1,669
Net (loss) profit for the year		**(15,206,789)**	352,190
		Fils	Fils
Basic and diluted (loss) earnings per share attributable to equity holders of the Parent Company	22	**(19.38)**	0.45

The accompanying notes (1) to (28) form an integral part of the consolidated financial statements.

KUWAIT BUSINESS TOWN REAL ESTATE COMPANY - K.S.C (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011
(All amounts are in Kuwaiti Dinars)

	2011	2010
Net (loss) profit for the year	**(15,206,789)**	352,190
Other comprehensive income:		
Investments available for sale:		
- Fair value gain	**4,748,780**	6,575,686
- Transfer to consolidated statement of income	**(5,790,829)**	(4,890,704)
- Impairment loss	**1,353,651**	3,224,755
Fair value reserve movement of investment in an associate	**9,650**	-
Other comprehensive income for the year	**321,252**	4,909,737
Total comprehensive (loss) income for the year	**(14,885,537)**	5,261,927
Attributable to:		
Equity holders of the Parent Company	**(14,886,133)**	5,254,047
Non-controlling interests	**596**	7,880
Total comprehensive (loss) income for the year	**(14,885,537)**	5,261,927

The accompanying notes (1) to (28) form an integral part of the consolidated financial statements.

KUWAIT BUSINESS TOWN REAL ESTATE COMPANY - K.S.C (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011
(All amounts are in Kuwaiti Dinars)

	Attributable to equity holders of the Parent Company								
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Accumulated losses	Sub total	Non-controlling interests	Total
Balance as of December 31, 2009	78,568,800	(152,030)	1,958,607	1,958,607	(396,415)	(7,769,154)	74,168,415	2,800	74,171,215
Purchase of treasury shares	-	(10,376)	-	-	-	-	(10,376)	-	(10,376)
Total comprehensive income for the year	-	-	-	-	4,903,526	350,521	5,254,047	7,880	5,261,927
Balance as of December 31, 2010	78,568,800	(162,406)	1,958,607	1,958,607	4,507,111	(7,418,633)	79,412,086	10,680	79,422,766
Total comprehensive income (loss) for the year	-	-	-	-	320,429	(15,206,562)	(14,886,133)	596	(14,885,537)
Balance as of December 31, 2011	**78,568,800**	**(162,406)**	**1,958,607**	**1,958,607**	**4,827,540**	**(22,625,195)**	**64,525,953**	**11,276**	**64,537,229**

The accompanying notes (1) to (28) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(All amounts are in Kuwaiti Dinars)

	Notes	2011	2010
Cash flow from operating activities:			
(Loss) profit for the year before National Labor Support Tax (NLST) and Zakat		**(15,206,789)**	365,328
Adjustments for:			
Net investment income	18	**(2,871,991)**	(7,398,370)
Impairment loss on investments available for sale	7	**1,353,651**	3,224,755
Share of result of an associate	8	**1,881,489**	-
Impairment loss on investment in an associate	8	**914,261**	-
Gain on sale of investment in an associate		**(3,578,425)**	-
Change in fair value of investment properties	9	**4,599,553**	(40,645)
Loss on sale of properties under development		**-**	1,659,274
Change in fair value of properties under development	10	**9,902,564**	(265,000)
Loss on disposal of property and equipment		**37,247**	-
Interest income		**(176)**	(4,259)
Finance costs		**2,704,677**	2,120,136
Depreciation		**21,557**	27,004
Provision for doubtful debts		**-**	7,025
		(242,382)	(304,752)
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		**1,280,749**	2,312,249
Properties under development		**(776,800)**	(5,588,452)
Accounts payable and other credit balances		**1,057,056**	(193,250)
Net cash generated from (used in) operating activities		**1,318,623**	(3,774,205)
Cash flow from investing activities:			
Investments at fair value through statement of income		**7,849,448**	(5,749,450)
Proceeds from sale of investments available for sale		**23,469,168**	27,512,403
Purchase of investments available for sale		**(15,369,224)**	(16,635,075)
Investment in associates	8	**(18,116,000)**	-
Proceeds from sale of investment in an associate	8	**59,608**	-
Proceeds from sale of investment properties		**-**	(2,556,449)
Purchase of investment properties	9	**(454,172)**	-
Proceeds from sale of property and equipment		**2,410**	-
Purchase of property and equipment		**(49,724)**	(2,120)
Interest income received		**176**	2,209
Dividend received		**550,095**	523,324
Net cash (used in) generated from investing activities		**(2,058,215)**	3,094,842
Cash flow from financing activities:			
Repayment of short term loans and bank facilities		**(504,488)**	(3,988,384)
Term loans		**(621,216)**	4,996,216
Finance costs paid		**(1,912,068)**	(2,120,136)
Purchase of treasury shares		**-**	(10,375)
Net cash used in financing activities		**(3,037,772)**	(1,122,679)
Foreign currency translation adjustment		**823**	-
Net decrease in cash and cash equivalents		**(3,776,541)**	(1,802,042)
Cash and cash equivalents at the beginning of the year		**2,085,100**	3,887,142
Cash and cash equivalents at the end of the year	4	**(1,691,441)**	2,085,100

The accompanying notes (1) to (28) form an integral part of the consolidated financial statements.

1. Incorporation and activities of the Parent Company

Kuwait Business Town Real Estate Company - K.S.C (Closed) (the "Parent Company") was incorporated in Kuwait in 1999 as a limited liability company and was registered as a K.S.C. (Closed) Company on November 24, 2004. The Parent Company's shares were listed in the Kuwait Stock Exchange on December 16, 2008.

The Parent Company's registered office is at KBT Tower 28th floor, Khalid Ebn Al Waleed Street, Kuwait.

The principal activities of the Group are:

- Dealing in various real estate activities particularly the purchase, sale, leasing and renting of land and buildings.
- Construction of private and public buildings and projects directly or through others and sale of properties in cash or on installments and managing or renting properties in Kuwait and abroad.
- Sale and purchase of securities of companies carrying on similar activities.

The Parent Company is a 64% subsidiary of Al Zumorodah Holding Company – K.S.C. (Holding) (the "Ultimate Parent Company"). Subsequent to the reporting date, Al Zumorodah Holding Company – K.S.C. (Holding) sold its investment in the Parent Company ceased to be a subsidiary of Al Zumorodah Holding Company – K.S.C. (Closed).

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") were authorized for issue by the Board of Directors on August 13, 2012. The Shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

2. Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention as modified to include the measurement at fair value of, investments at fair value through statement of income, investments available for sale, investment properties and properties under development.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990

3. Significant accounting policies

The accounting policies applied by the Group are consistent with those used in the previous year, except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2011.

IAS 1 Presentation of Financial Statements (Amendment) (effective January 1, 2011):

The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 24 Related Party Disclosures (revised) (effective January 1, 2011)

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The disclosure exemptions do not affect the Group because the Group is not a government-related entity. Also, disclosures regarding related party transactions and balances in these consolidated financial statements are not significantly affected because all counterparties within the scope of the revised Standard previously met the definition of a related party.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 3(r).

Standards and interpretations issued but not effective

The following IASB Standards and interpretations have been issued but are not yet effective, and have not yet been adopted by the Group:

IFRS 9, 'Financial Instruments'

The standard, which will be effective for annual periods beginning on or after January 1, 2015, specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

IFRS 10 Consolidated Financial Statements (issued in May 2011)

The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. This standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities (issued in May 2011)

The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. IFRS 12 is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement (issued in May 2011)

The new Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after 1 January 2013.

a) Principles of consolidation

The consolidated financial statements include the financial statements of Kuwait Business Town Real Estate Company – K.S.C. (Closed) (The Parent Company) and the following subsidiaries:

	Country of incorporation	Effective interest equity interest	
		2011	2010
1. Housing Cities Real Estate Company W.L.L.	Kuwait	**100%**	100%
2. KB Projects Company W.L.L.	Kuwait	**100%**	100%
3. Dubai Business Town Real Estate Company W.L.L.	United Arab Emirates	**100%**	100%
4. United National Holding Co. K.S.C. (Holding)	Kuwait	**99.87%**	99.87%

During the year the Group started the liquidation process of Housing Cities Real Estate Company – W.L.L. of which legal procedures were finalized in 2012.

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise 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. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

b) Financial Instruments

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, investments, accounts receivable, short term loans and bank facilities, accounts payable and term loans. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to consolidated equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

a - Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash, less outstanding bank overdrafts and are subject to an insignificant risk of changes in value.

b - Investments

The Group classifies its investments in the following categories: investments at fair value through statement of income and investments available for sale. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

A) Investments at fair value through statement of income
This category has two sub-categories: investments held for trading, and those designated at fair value through statement of income at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Realized and unrealized gains and losses from investment at fair value through statement of income are included in the consolidated statement of income.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

B) Investments available for sale
Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through statement of income.

After initial recognition, investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in other comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of income.

An investments (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on available for sale equity instruments are not reversed through the consolidated statement of income.

c - Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

d - Investment in associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policy decisions. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

The Group recognizes in its share of other comprehensive income in the consolidated statement of comprehensive income.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of income.

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

e - Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both and are stated at their fair value at the end of reporting period.

Investment properties are derecognized 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. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of income.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. 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.

f - Properties under development

Properties under development represent properties being developed for future use as investment properties and are stated at fair value. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost.

g - Property and equipment

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of income for the year.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property and equipment as follows:

Assets category	Years
Buildings	5
Furniture and decorations	5
Machines and equipment	5
Computers	5
Vehicles	5

Certain property and equipment used in certain projects are depreciated over the period of the respective contracts.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

h - Accounts payable

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

i - Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

j - Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k - Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

l - Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in consolidated statement of changes in equity (treasury shares reserve), which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's equity holders.

m - Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

n - Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale and services rendered have been resolved. The Group bases its estimates on historical results taking into consideration the type of customer, the type of transaction and specifics of each arrangement.

Gain on sale of investments
Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

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

Interest income
Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized either as cash is collected or on a cost–recovery basis as conditions warrant.

Rental income
Rental income is recognized, when earned, on a time apportionment basis.

o - Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated statement of income in the period in which they are incurred.

p - Foreign Currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of income for the year. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through income statement are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in the consolidated statement of other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of other comprehensive income. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

q - Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

r - Critical accounting estimates and judgment

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

A) **Judgments**

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue recognition:

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Classification of investments:

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. The Group classifies investments as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other investments are classified as "available for sale".

(iii) Classification of Land:

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development:

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Investment properties:

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

(iv) Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable and inventory involve significant judgment.

(v) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

B) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period 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.

(i) Fair value of unquoted equity investments
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Provision for doubtful debts
The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

(iii) Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4. Cash and cash equivalents

	2011	2010
Cash on hand and at banks	**461,213**	909,694
Cash in managed portfolios	**78,711**	75,406
Short term deposits	**-**	1,100,000
	539,924	2,085,100
Less: Bank overdraft	**(2,231,365)**	-
Cash and cash equivalents included in consolidated statement of cash flows	**(1,691,441)**	2,085,100

The effective interest rate on term deposits is Nil per annum (2010 – 1.5% - 2% per annum). These deposits have an average maturity of Nil days (2010 – 41 days).

Bank overdraft relates to the subsidiary, UNHC, and carries an effective rate of interest of 6.5% (2010: Nil) per annum and, is secured against certain investment available for sale (Note 7). As of December 31, 2011, bank overdraft has become past due and the management is currently engaged in discussion with the bank regarding the restructuring of the credit facilities. However, the bank referred the matter to the Ministry of Justice to recover its dues (Note 28).

5. Investments at fair value through statement of income

	2011	2010
Held for trading:		
Quoted equity securities	**19,711**	24,750
Managed funds	**132,260**	145,104
Managed portfolios of quoted equity securities:	**7,104,055**	18,336,630
Designated:		
Quoted equity securities	**-**	49,594
Unquoted equity securities	**8,156,864**	8,168,864
Managed funds	**34,896**	41,225
	15,447,786	26,766,167

Managed portfolios of equity securities amounting to KD 6,455,025 (2010 – KD 18,336,630) are pledged against short term loans and bank facilities (Note 11).

Investments with aggregate carrying amount of KD 9,336,119 (2010 - KD 26,386,833) are managed by a related party (Note 23).

The fair value of unquoted equity securities is determined by the investment manager (related party) using valuation techniques that are based on recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, an earnings multiple, or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in (Note 27).

6. Accounts receivable and other debit balances

	2011	2010
Account receivable	**131,517**	-
Advance payment to contractors	**-**	1,580,316
Advance payment towards purchase of investments	**650,245**	650,245
Due from related parties (Note 23)	**49,708**	80,054
Accrued income	**556,067**	-
Other debit balances	**94,543**	452,214
	1,482,080	2,762,829
Provision for doubtful debts	**(726,255)**	(726,255)
	755,825	2,036,574

7. Investments available for sale

	2011	2010
Quoted equity securities	**24,893**	-
Unquoted equity securities	**3,671,264**	4,329,093
Managed portfolios of equity securities:		
- Quoted	**4,297,601**	14,602,382
- Unquoted	**44,757,975**	15,424,358
	52,751,733	34,355,833

As of December 31, 2011, investments available for sale ('unquoted equity securities' and 'managed portfolio of unquoted equity securities') amounting to KD 46,891,884 (2010 – KD 19,753,451) were carried at cost less impairment loss, due to the non availability of quoted market prices or other reliable measures of their fair values. There is no active market for these financial assets and the Group intends to hold them for long term. Management has performed an impairment testing of its unquoted equity securities to assess whether impairment has occurred in the value of these investments. Based on specific information, management has recorded impairment loss of KD 1,353,651 (2010 - KD 3,224,755) in the consolidated statement of income. The management is not aware of any additional circumstances that would indicate any further impairment in the value of these financial assets as of December 31, 2011.

During the year, one of the subsidiaries of the Parent Company, UNHC, acquired unquoted equity securities in the Ultimate Parent Company amounting to KD 34,800,000 from a related party (Note 23) by transferring investment available for sale amounting to KD 13,200,000 and investment in an associate, Sharq Investment Company K.S.C. (Closed) [formerly Al-Zumorrodah Investment Company K.S.C. (Closed)] ("Sharq Investment"), amounting to KD 21,600,000 (Notes 8 and Note 23). As a result of this, the Group recorded a total gain of KD 6,271,887 in the consolidated statement of income for year ended December 31, 2011, presented as of investment gain on sale of investments available for sale of KD 2,640,000 (Note 23) and gain on sale of investment in an associate of KD 3,631,887 (Notes 8 and 23).

Included in managed portfolios of equity securities is an amount of KD 44,116,817 (2010 – KD 25,686,189) which represents investments pledged against short term loans and bank facilities and bank overdraft (Notes 4 and 11).

Unquoted equity securities amounting to KD Nil (2010 – KD 976,921) were pledged against loans granted to a related party from a local bank.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique is presented in (Note 27).

8. Investment in associates

Name of Associate	Country of incorporation	Percentage of holding		Carrying value	
		2011	2010	**2011**	2010
Xpress Cell Services Co. - K.S.C. (Closed) and Subsidiaries	Kuwait	**37.33%**	38.85%	**-**	2,899,170
				-	2,899,170

The movement during the year is as follows:

	2011	2010
Balance at the beginning of the year	**2,899,170**	2,899,170
Additions during the year (see below)	**18,116,000**	-
Transfer from investments available for sale	**53,755**	-
Transfer to investments available for sale	**(201,642)**	-
Disposals during the year	**(18,081,183)**	-
Impairment loss (see below)	**(914,261)**	-
Share of other comprehensive income of an associate	**9,650**	-
Share of result of an associate	**(1,881,489)**	-
Balance at the end of the year	**-**	2,899,170

During the year, the Group sold 600,000 shares of Xpress Cell Services Company K.S.C. (Closed) for a consideration of KD 59,608 and realized a loss of KD 53,462 in the consolidated statement of income.

In accordance with International Accounting Standard 36 "Impairment of assets", the management has performed a detailed impairment exercise in respect of each of the associates to determine whether there is any objective evidence that its investment in associates is considered impaired. The management compared the recoverable amount (being the higher of value in use and fair value less cost to sell) of each of the associates with the carrying amounts. In determining the value in use, the management estimated the present value of the estimated future cash flows expected to arise from dividends to be received from each of the associates and from their ultimate disposal. As a result of the exercise, the management has recorded full impairment against its associate, Xpress Cell Services Co. - K.S.C. (Closed), during the year ended December 31, 2011.

During the year, Group's equity interest in Sharq Investment increased from 0.4% to 49.9% as a result of acquisition of additional equity interest of 49.5% (acquired through UNHC) from a related party for a total consideration of KD 18,116,000 (Note 23). As a result of the above, the Parent Company is able to exercise significant influence to participate in the financial and operating policy decisions of Sharq Investment. Accordingly, Sharq Investment has become an associate of the Group (previously classified as investments available for sale), and was accounted for in accordance with IAS 28: Investments in associates. Subsequent to this transaction, the Group sold 49.3% in Sharq Investment to a related party for a consideration of KD 21,600,000 (Note 7 and Note 23). As a result of this, the Group recorded a gain of KD 3,631,887 in the consolidated statement of income (Notes 7 and 23).

9. Investment properties

	2011	2010
Balance at the beginning of the year	**5,226,000**	4,023,180
Transfer from properties under development (Note 10)	**38,606,531**	-
Additions	**454,172**	1,162,175
Change in fair value	**(4,599,553)**	40,645
Balance at the end of the year	**39,687,150**	5,226,000

Investment properties amounting to KD 29,982,537 (2010 – KD 5,226,000) are pledged with a financial institution against term loan (Note 13).

Investment properties are stated at fair value, which has been determined based on valuations performed by accredited independent appraisers (one of them a local bank). The fair value of the properties has been determined on transactions observable in the market.

10. Properties under development

	2011	2010
Balance at the beginning of the year	**63,232,295**	57,643,843
Development costs	**776,800**	9,809,752
Change in fair value	**(9,902,564)**	265,000
Transfer to investment properties (Note 9)	**(38,606,531)**	-
Proceeds from the sale transactions during the year	**-**	(2,827,026)
Loss on sale of properties under development	**-**	(1,659,274)
Balance at the end of the year	**15,500,000**	63,232,295

Properties under development with carrying value of KD 15,500,000 (2010 – KD 25,391,645) are pledged with a local bank against short term loans and bank facilities (Note 11), and Properties under development with a carrying value of KD Nil (2010 – KD 28,144,152) are pledged with a local bank against term loan (Note 13).

Property under development are stated at fair value, which has been determined based on valuations performed by accredited independent appraisers (one of them a local bank).

11. Short term loans and bank facilities

	Currency	**2011**	2010
Bank facilities obtained from a local bank carrying an interest rate of 1.75% per annum over the Central Bank of Kuwait discount rate and repayable on December 29, 2010.	KD	**46,240,307**	46,744,795
		46,240,307	46,744,795

Short term loans and bank facilities relate to the subsidiary, UNHC, and are secured by investments at fair value through statement of income of KD 6,455,025 (2010 – KD 18,336,630) (Note 5), investments available for sale of KD 44,116,817 (2010 – KD 25,686,189) (Note 7) and properties under development of KD 15,500,000 (2010 - KD 25,391,645) (Note 10). As of December 31, 2011, those banks facilitates have become past due and the management is currently engaged in discussion with the bank regarding the restructuring of the credit facilities however, the bank referred the matter to the Ministry of Justice to recover its dues (Note 28).

12. Accounts payable and other credit balances

	2011	2010
Payables and retention to contractors	**2,096,879**	1,658,907
Due to related parties (Note 23)	**-**	73,938
Accrued expenses and provisions	**200,534**	282,000
Interests and accrued dividend	**792,438**	395,309
Advance rent	**87,446**	-
Other credit balances	**1,178,395**	95,873
	4,355,692	2,506,027

13. Term loans

	Currency	**2011**	2010
a - Term loan granted by a local bank with interest rate of 6.48% per annum, repayable in 72 equal monthly installments and starting on February 16, 2012 after a grace period of 2 years started from February 1, 2010.	KD	**5,000,000**	4,996,216
b - Term loan granted by a financial institution, a related party (Note 23), with interest rate of 7.5% per annum, repayable in 48 equal monthly installments started from March 16, 2011.	KD	**2,375,000**	3,000,000
		7,375,000	7,996,216

Investment properties amounting to KD 29,982,537 (2010 – KD 5,226,000) are pledged with a financial institution against this term loan (Note 9).

Properties under development amounting to KD Nil (2010 – KD 28,144,152) are pledged with a local bank against term loan (Note 10).

14. Share capital

Authorized, issued and paid-up capital consists of 785,688,000 shares (2010 – 785,688,000 shares) of 100 fils (2010 – 100 fils) each.

15. Treasury shares

	2011	2010
Number of treasury shares	**1,030,000**	1,030,000
Percentage of ownership	**0.13%**	0.13%
Market value (KD)	**29,355**	45,320
Cost (KD)	**162,406**	162,406

16. Statutory reserve

As required by the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration has to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. As of December 31, 2011 no transfer has been made to statutory reserve since the Parent Company incurred loss during the year.

17. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration has to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. As of December 31, 2011 no transfer has been made to voluntary reserve since the Parent Company incurred loss during the year.

18. Net investment income

	2011	2010
Unrealized (loss) gain from investments at fair value through statement of income	**(1,910,419)**	407,439
Realized (loss) gain on sale of investments at fair value through statement of income	**(1,558,514)**	1,318,361
Realized gain on sale of investments available for sale	**5,790,829**	4,890,704
Dividend income	**550,095**	781,866
	2,871,991	7,398,370

19. Contribution to Kuwait Foundation for the Advancement of Sciences

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. Contribution to Kuwait Foundation for the Advancement of Sciences has not been calculated due to net loss incurred by the group during the year.

20. National Labor Support Tax (NLST)

National Labor Support Tax is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of the profit of the Parent Company after deducting dividends from Kuwaiti listed shareholding companies. No National Labor Support Tax has been calculated due to net loss incurred by the group during the year.

21. Zakat

Zakat is calculated in accordance with the Ministry of Finance resolution No. 58/2007 at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates in accordance with Ministry of Finance resolution No. 58 / 2007. No Zakat has been due to net loss incurred during the year.

22. Basic and diluted (loss) earnings per share

Basic and diluted (loss) earnings per share is calculated by dividing the (loss) profit for the year attributable to the equity holders of the Parent Company by the weighted average number of outstanding shares during the year.

	2011	2010
(Loss) profit for the year attributable to the equity holders of the Parent Company	**(15,206,562)**	350,521
	Shares	Shares
Number of outstanding shares at the beginning of the year	**785,688,000**	785,688,000
Less: Weighted average number of treasury shares	**(1,030,000)**	(1,030,000)
Weighted average number of outstanding shares	**784,658,000**	784,658,000
	Fils	Fils
Basic and diluted (loss) earnings per share attributable to the equity holders of the Parent Company	**(19.38)**	0.45

23. Related party transactions and balances

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel, associate and other related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

	Ultimate Parent Company	Entities under common control	**2011 Total**	2010 Total
Consolidated statement of financial position				
Investments at fair value through statement of income (managed by a related party) (Note 5)	-	9,336,119	**9,336,119**	26,386,833
Investments available for sale (managed by a related party) (Note 7)	34,800,000	10,416,465	**45,216,465**	24,828,338
Due from related parties (Note 6)	-	49,708	**49,708**	80,054
Due to related parties (Note 12)	-	-	**-**	73,938
Term loan (Note 13)	-	2,375,000	**2,375,000**	3,000,000
Consolidated statement of income				
Unrealized gain from investments at fair value through statement of income	-	-	**-**	404,334
Realized (loss) on sale of investments at fair value through statement of income	-	(1,557,045)	**(1,557,045)**	(8,341)
Dividend income	-	441,060	**441,060**	502,220
Gain on sale of investment in an associate (Note 8)	-	3,631,887	**3,631,887**	-
Gain on sale of investments available for sale (Note 7)	-	2,640,000	**2,640,000**	-
Impairment of investment available for sale	-	(388,201)	**(388,201)**	(5,810)
General and administrative expenses	-	(97,247)	**(97,247)**	(69,195)
Finance costs	-	93,750	**93,750**	-
Transactions				
Purchase of investment in an associate (Note 8)	-	18,116,000	**18,116,000**	-
Purchase of investment available for sale (Note 7) – non cash transaction	34,800,000	-	**34,800,000**	-
Sale of investment available for sale (Note 7) – non cash transaction	-	13,200,000	**13,200,000**	-
Sale of investment in an associate (Note 8) – non cash transaction	-	21,600,000	**21,600,000**	-

24. Capital commitments

	2011	2010
Future capital expenditure relating to properties under development	**11,500,000**	13,000,000

25. Segment information

The Group is divided into operating segments for managing its various business activities. The Group operates mainly in Kuwait. For the purpose of analyzing the major segments, the Group's management allocated its business and services into the following business segments:

- Investing activities comprise participation in financial and real estate funds and managing the Group's liquidity requirements.
- Real estate activities comprise investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.

There are no inter-segmental transactions. The following segments are reported in a manner that is more consistent with internal reporting providing to the chief operating decision maker.

	2011			2010		
	Investing activities	**Real estate activities**	**Total**	Investing activities	Real estate activities	Total
Segment operating revenue (loss)	**2,451,717**	**(14,193,729)**	**(11,742,012)**	4,208,145	(986,014)	3,222,131
Operating (loss) profit			**(11,742,012)**			3,222,131
Unallocated expenses			**(3,464,777)**			(2,869,941
Net (loss) profit for the year			**(15,206,789)**			352,190
Segment assets	**58,942,648**	**65,796,945**	**124,739,593**	55,025,068	81,644,736	136,669,804
Total assets			**124,739,593**			136,669,804
Addition to non-current assets	-	**1,230,972**	**1,230,972**	-	10,971,927	10,971,927

Additions to non-current assets consist of additions of investment properties and properties under development.

26. Financial risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks.

Risk management structure
The Board of Directors is ultimately responsible for identifying and controlling risks and for the overall risk management approach and for approving the risk strategies and principles.

Executive management
The Executive management of the Group formulates the risk management policies of the Group and make recommendations to the Board of Directors.

Credit risk
Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position.

The gross maximum exposure is as follow:

	Gross maximum exposure	
	2011	2010
Cash and cash equivalents	**539,789**	2,084,974
Accounts receivable and other debit balances	**755,825**	2,762,829
Total credit risk exposure	**1,295,614**	4,847,803

Risk concentrations of the maximum exposure to credit risk:
The Group's financial assets, before taking into account any collateral held or other credit enhancements, can be analyzed by the following:

Geographic region and industrial sector:

	2011			
	Banking	**Investments**	**Other**	**Total**
Kuwait	**461,079**	**642,917**	**191,618**	**1,295,614**

	2010			
	Banking	Investments	Other	Total
Kuwait	2,009,568	806,309	2,031,926	4,847,803

Analysis of past due but not impaired
Other than the provision for doubtful debts for certain accounts receivable and other debit balances (Note 6), the Group did not have any "past due but not impaired" financial assets at 31 December 2011 and 31 December 2010.

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management ensures appropriate liquidity is available and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Liquidity risk and funding management
The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Analysis of financial undiscounted liabilities by remaining contractual maturities:
The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date based on contractual undiscounted repayment arrangement or in the case of investments available for sale and trading properties, on management's estimate of planned exit dates.

The maturity profile of the undiscounted liabilities as of December 31, 2011 is as follows:

	Within 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
Short term loans and bank facilities	**48,471,172**	**-**	**-**	**-**	**-**	**48,471,172**
Accounts payable and other credit balances	**1,787,588**	**3,000**	**99,000**	**2,466,104**	**-**	**4,355,692**
Term loans	**-**	**-**	**-**	**-**	**7,375,000**	**7,375,000**

The maturity profile of the undiscounted liabilities as of December 31, 2010 was as follows:

	Within 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
Short term loans and bank facilities	46,744,795	-	-	-	-	46,744,795
Accounts payable and other credit balances	95,000	667,849	500,638	621,270	621,270	2,506,027
Term loans	179,915	179,915	359,830	7,276,556	-	7,996,216

Accounts payable and other credit balances are not exposed to interest rate risk, accordingly there is no difference between discounted and undiscounted liabilities.

Market risk
Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

A) **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. Interest rate risk is managed by the finance department of the Parent Company. The Group is exposed to interest rate risk on its interest bearing assets (bank deposits).

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's (loss) profit before KFAS, Directors' remuneration and Zakat, based on floating rate financial assets held at December 31, 2011 and 2010. There is no impact on other comprehensive income.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

Year	Increase (decrease) in interest rate	Balance as of December 31,	Effect on consolidated statement of income
2011			
Short term loans and bank facilities	**± 50 basis points**	**46,240,307**	**± 231,202**
Bank overdraft	**± 50 basis points**	**2,231,365**	**± 11,157**
Term loans	**± 50 basis points**	**7,375,000**	**± 36,875**
2010			
Term deposits	± 50 basis points	1,100,000	± 5,500
Short term loans and bank facilities	± 50 basis points	46,744,795	± 233,724
Term loans	± 50 basis points	7,996,216	± 39,981

B) **Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk is managed by the treasury department on the basis of limits determined by the Parent Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

C) **Equity price risk**

Equity price risk arises from changes in the fair values of equity investments. The equity price risk exposure arises from the Group's quoted securities, unquoted securities and managed funds and portfolios.

The effect of other comprehensive income (as a result of a change in the fair value of investments available for sale at December 31, 2011) and Group's (loss) profit (as a result of a change in the fair value of investments at fair value through statement of income at December 31, 2011) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2011			2010		
Market indices	**Change in equity price %**	**Effect on the loss of the year**	**Effect on other comprehensive income**	Change in equity price %	Effect on the loss of the year	Effect on other comprehensive income
Kuwait	**± 5**	**±49,775**	**±138,336**	± 5	±918,069	±731,853
Others	**± 5**	**±279**	**±47**	± 5	±7,255	-

27. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, investments carried at fair value through statement of income, accounts receivables and investments available for sale. Financial liabilities consist of short term loans and bank facilities, accounts payable and term loan.

Fair values of all financial instruments are not materiality different from their carrying values except for available for sale which are carried at cost (Note 7).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value:

	2011			
	Level 1	Level 2	Level 3	Total
Investments at fair value through statement of income	**7,123,766**	**8,324,020**	-	**15,447,786**
Investments available for sale	**4,322,494**	**1,537,355**	-	**5,859,849**
	11,446,260	**9,861,375**	-	**21,307,635**

	2010			
	Level 1	Level 2	Level 3	Total
Investments at fair value through statement of income	18,361,380	7,953,562	-	26,314,942
Investments available for sale	14,637,062	14,451,536	-	29,088,598
	32,998,442	22,405,098	-	55,403,540

There were no transfers between fair value hierarchies during 2011 and 2010.

No financial instruments are measured under Level 3 fair value hierarchy as at 31 December 31, 2011 and December 31, 2010.

Fair value of unquoted equity instruments within the managed portfolios has been estimated by the portfolio manager (who is a related party) using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

28. Going Concern of a subsidiary

The subsidiary, UNHC, incurred a net loss of KD 174,383 for the year ended December 31, 2011. The accumulated losses as of December 31, 2011 amounted to KD 28,717,448 which represents 95% of the subsidiary's capital. According to the Article No. 171 of Commercial Companies Law No. 15 for the year 1960, if a shareholding Company loses 75% of its capital, the Board of Directors should call extraordinary General Assembly Meeting to take an appropriate decision about the going concern issue.

Also as of December 31, 2011, the subsidiary had past due bank facilities (bank overdraft and short term loans) of KD 48,471,672 with one of the local banks and there are lawsuits filed against the subsidiary in this regard (Note 4 and 11). There is uncertainty related to the outcome of the lawsuits.

These conditions are considered as an indication to the existence of a substantial doubt about the subsidiary's ability to continue as a going concern.

The Group's management is confident that the above issues will be solved and as a consequence these consolidated financial statements have been prepared on a going concern basis.