BAYAN INVESTMENT COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
STATE OF KUWAIT

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

BAYAN INVESTMENT COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
STATE OF KUWAIT

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

CONTENTS

Independent auditors' report

	Pages
Consolidated statement of financial position	3
Consolidated statement of income	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7 - 8
Notes to consolidated financial statements	9 – 45

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Bayan Investment Company - K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Bayan Investment Company - K.S.C. (Closed) (the Parent Company) and subsidiaries (the Group) which comprise the consolidated statement of financial position as at 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 notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as 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 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 audit opinion.

Opinion

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

Report on other Legal and Regulatory Requirements

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

Ali Owaid Rukheyes
Licence No. 72-A
Member of the International Group
of Accounting Firms

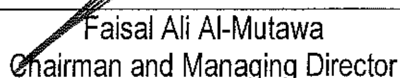
Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
April 1, 2012

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	**2011**	2010
Cash and cash equivalents		**1,606,179**	1,266,535
Investments at fair value through income statement	3	**2,982,759**	4,482,781
Accounts receivable and other debit balances	4	**2,221,125**	1,834,253
Inventories		**417,421**	410,194
Investments available for sale	5	**28,547,552**	38,964,912
Investment in associates	2(b)	**-**	18,058,135
Investment in unconsolidated subsidiaries		**7,780**	7,780
Investment properties	6	**10,725,000**	10,900,000
Properties under development	7	**71,333,044**	-
Fixed assets	8	**1,995,512**	2,239,896
Total assets		**119,836,372**	78,164,486
LIABILITIES AND EQUITY			
Liabilities:			
Due to banks	9	**35,988,565**	37,687,433
Accounts payable and other credit balances	10	**30,925,456**	1,634,628
Murabaha payable	11	**245,467**	450,564
Provision for end of service indemnity	12	**512,702**	436,674
Total liabilities		67,672,190	40,209,299
Equity:			
Share capital	13	**39,266,391**	39,266,391
Treasury shares	14	**(6,768,265)**	(7,081,113)
Statutory reserve	15	**12,166,782**	12,166,782
Voluntary reserve	16	**11,029,254**	11,029,254
Cumulative changes in fair value		**1,573,855**	(2,642,793)
Foreign currency translation adjustments		**(269,168)**	(161,024)
Treasury shares reserve		**207,405**	489,564
Accumulated losses		**(20,479,158)**	(15,111,874)
Equity attributable to shareholders of the Parent Company		**36,727,096**	37,955,187
Non-controlling interests		**15,437,086**	-
Total equity		**52,164,182**	37,955,187
Total liabilities and equity		119,836,372	78,164,486

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.



Faisal Ali Al-Mutawa
Chairman and Managing Director

Adel Essa Al-Yousifi
Vice Chairman

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011
(All amounts are in Kuwaiti Dinars)

	Note	2011	2010
Revenue:			
Net investment income	18	**620,339**	2,006,680
Net gain arising as result of associate becoming a subsidiary for the Group	25	**9,127,674**	-
Gain on sale of property under development		-	3,350,027
Management and consultancy fees		**109,991**	166,580
Net sales revenue		**1,129,538**	1,025,360
Interest income		**119,852**	156,142
Share of results from an associate		**183,737**	104,634
Other income		**195,330**	54,765
		11,486,461	6,864,188
Expenses and other charges:			
Impairment loss on investments available for sale		**12,599,814**	5,453,723
Impairment loss on investment properties	6	**175,000**	1,914,378
Impairment loss on capital work in progress		-	27,815
Impairment loss on investment in an associate		-	5,000,000
Net loss on liquidation of subsidiaries	2(b)	**102,494**	40,500
Provision for loan to an associate		-	2,970,000
Related party receivable balance written off		-	18,709
General and administrative expenses	19	**1,961,896**	1,907,178
Finance charges		**1,947,931**	2,251,893
Foreign exchange loss		**340,482**	44,018
		17,127,617	19,628,214
Net loss for the year		**(5,641,156)**	(12,764,026)
Attributable to:			
Shareholders of the Parent Company		**(5,367,284)**	(12,763,984)
Non-controlling interests		**(273,872)**	(42)
Net loss for the year		**(5,641,156)**	(12,764,026)
		Fils	Fils
Loss per share attributable to shareholders of the parent company	23	**(15.02)**	(35.69)

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011
(All amounts are in Kuwaiti Dinars)

	2011	2010
Net loss for the year	**(5,641,156)**	(12,764,026)
Other comprehensive income (loss):		
Investments available for sale:		
Changes in fair value of investments available for sale	**665,699**	1,067,543
Reversal due to sale of investments available for sale	**(554,201)**	(239,579)
Reversal due to impairment of investments available for sale	**4,105,150**	59,995
	4,216,648	887,959
Exchange differences on translating foreign operations	**(263,317)**	(155,796)
Share of other comprehensive income of an associate	**52,618**	60,690
Other comprehensive income for the year	**4,005,949**	792,853
Total comprehensive loss for the year	**(1,635,207)**	(11,971,173)
Attributable to:		
Shareholders of the Parent Company	**(1,332,535)**	(11,971,106)
Non-controlling interests	**(302,672)**	(67)
Total comprehensive loss for the year	**(1,635,207)**	(11,971,173)

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011
(All amounts are in Kuwaiti Dinars)

	Equity attributable to the shareholders of the Parent Company										
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation adjustments	Treasury shares reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
Balance as at December 31, 2009	39,266,391	(7,868,259)	12,166,782	11,029,254	(3,530,777)	(65,918)	1,024,735	(2,347,890)	49,674,318	52,067	49,726,385
Purchase of treasury shares	-	(51,636)	-	-	-	-	-	-	(51,636)	-	(51,636)
Sale of treasury shares	-	838,782	-	-	-	-	(535,171)	-	303,611	-	303,611
Related to change in percentage of ownership in a subsidiary	-	-	-	-	-	-	-	-	-	(52,000)	(52,000)
Total comprehensive income (loss) for the year	-	-	-	-	887,984	(95,106)	-	(12,763,984)	(11,971,106)	(67)	(11,971,173)
Balance as at December 31, 2010	39,266,391	(7,081,113)	12,166,782	11,029,254	(2,642,793)	(161,024)	489,564	(15,111,874)	37,955,187	-	37,955,187
Purchase of treasury shares	-	(32,618)	-	-	-	-	-	-	(32,618)	-	(32,618)
Sale of treasury shares	-	345,466	-	-	-	-	(282,159)	-	63,307	-	63,307
Effect of acquisition of subsidiary (Note 25)	-	-	-	-	-	73,755	-	-	73,755	15,739,758	15,813,513
Total comprehensive income (loss) for the year	-	-	-	-	4,216,648	(181,899)	-	(5,367,284)	(1,332,535)	(302,672)	(1,635,207)
Balance as at December 31, 2011	**39,266,391**	**(6,768,265)**	**12,166,782**	**11,029,254**	**1,573,855**	**(269,168)**	**207,405**	**(20,479,158)**	**36,727,096**	**15,437,086**	**52,164,182**

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(All amounts are in Kuwaiti Dinars)

	2011	2010
Cash flows from operating activities:		
Net loss for the year	**(5,641,156)**	(12,764,026)
Adjustments:		
Net investment income	**(620,339)**	(2,006,680)
Net gain arising as result of associate becoming a subsidiary for the group	**(9,127,674)**	-
Gain on sale of property under development	**-**	(3,350,027)
Interest income	**(119,852)**	(156,142)
Share of results from associates	**(183,737)**	(104,634)
Provision for end of service indemnity no longer required	**(37,433)**	(26,634)
Payable balance written back	**(135,000)**	-
Gain on sale of fixed assets	**-**	(587)
Impairment loss on investments available for sale	**12,599,814**	5,453,723
Impairment loss on investment properties	**175,000**	1,914,378
Impairment loss on capital work in progress	**-**	27,815
Impairment loss on investment in an associate	**-**	5,000,000
Net provision for impairment on loan to an associate	**-**	2,970,000
Related party receivable balance written off	**-**	18,709
Bad debts written off	**-**	50,116
Depreciation	**228,426**	232,435
Provision for end of service indemnity	**77,339**	76,461
Finance charges	**1,947,931**	2,251,893
Foreign exchange loss	**340,482**	44,018
	(496,199)	(369,182)
Changes in operating assets and liabilities:		
Investments at fair value through income statement	**709,622**	33,417
Accounts receivable and other debit balances	**(53,011)**	(835,446)
Inventories	**(7,227)**	239,110
Related parties	**1,098**	22,927
Accounts payable and other credit balances	**367,999**	142,230
Cash generated from (used in) operations	**522,282**	(766,944)
Paid for end of service indemnity	**(29,125)**	(22,644)
Paid for NLST	**(166,195)**	-
Net cash generated from (used in) operating activities	**326,962**	(789,588)
Cash flows from investing activities:		
Purchase of investments available for sale	**(220,975)**	(228,068)
Proceeds from sale of investments available for sale	**2,717,167**	9,400,432
Purchase of fixed assets	**(106,831)**	(69,534)
Proceeds from sale of fixed assets	**-**	931
Dividend received	**964,662**	836,803
Interest received	**119,852**	227,566
Net cash generated from investing activities	**3,473,875**	10,168,130

Cash flows from financing activities:		
Due to banks	**(1,698,868)**	273,442
Murabaha payable	**(205,097)**	(363,416)
Bonds	**-**	(10,000,000)
Purchase of treasury shares	**(32,618)**	(51,636)
Proceed from sale of treasury shares	**63,307**	303,611
Dividends paid	**(37,935)**	(103,240)
Net movement in non-controlling interests	**-**	(52,000)
Finance charges paid	**(1,985,739)**	(2,446,273)
Net cash used in financing activities	**(3,896,950)**	(12,439,512)
Net decrease in cash and cash equivalents	**(96,113)**	(3,060,970)
Cash on acquisition of a subsidiary	**707,580**	-
Effect of foreign currency translation on cash and cash equivalents	**(271,823)**	(55,610)
Cash and cash equivalents at beginning of the year	**1,266,535**	4,383,115
Cash and cash equivalents at end of the year	**1,606,179**	1,266,535

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.

1. Incorporation and activities

Bayan Investment Company (the Parent Company) is a Kuwaiti closed shareholding company incorporated by agreement No. 1491/Vol 1 dated July 21, 1997 and the latest amendment on January 24, 2012 and it is listed in the Kuwait Stock Exchange. The Parent Company's commercial registration number is 70718 dated August 30, 1997.

The principal activities of the Group are to provide investment and portfolio management activities for its own account and for clients and investment in real estate.

The Parent Company's is located in Souad Commercial Building, Fahad Al-Salem St., Area 12, Building No. 21 and its registered office is P.O. Box No. 104, Al Dasma 35151, State of Kuwait.

The total number of employees of the Parent Company as at December 31, 2011 is 12 (2010: 14).

The Parent Company is under the supervision of the Capital Market Authority according to law No.7/2010 for investment companies effective from September 13, 2011.

The consolidated financial statements were approved for issue by the Board of Directors on April 1, 2012. The Shareholders' Annual General Assembly has the authority to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No.18 of 1990. Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except that, investments at fair value through income statement and certain investments available for sale are stated at their fair value. 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:

Revised IAS 24 Related Party Disclosures (issued in November 2009)
The revised standard supersedes IAS 24 issued in 2003 and is mandatory for annual periods beginning on or after 1 January 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.

Amendment to IAS 32 titled Classification of Rights Issues (issued in October 2009)
The amendment, applicable retrospectively to annual periods beginning on or after 1 February 2010, addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. To date, the Group has not entered into any arrangements that fall within the scope of the amendment.

IFRS 3 Business Combinations (Improvements to IFRSs 2010)
Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS: clarification that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Applicable, retrospectively, to annual periods beginning on or after 1 July 2010.

Measurement of non-controlling interests: the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by another IFRS. Applicable, prospectively from the date the entity applies IFRS 3 revised, to annual periods beginning on or after 1 July 2010.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (issued in November 2009)
The new interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The interpretation is effective for annual periods beginning on or after 1 July 2010. To date, the Group has not entered into any arrangements that fall within the scope of the interpretation.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards 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 2(u).

Standards issued but not effective

The following IASB Standards 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.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of Bayan Investment Company - K.S.C. (closed) and the following subsidiaries:

	Country of incorporation	Percentage of Holding % 2011	2010
Arkan Holding Company-K.S.C. (Holding) and its subsidiary:	Kuwait	**100%**	100%
Arkan Industrial and Mining Co. (E.S.C.)	Egypt	**100%**	100%
Dar Al Dhabi Holding Co. K.S.C. (Holding) and its wholly owned subsidiary: Dar Al Dhabi Real Estate Company K.S.C.C. (i)	Kuwait	**57.329%**	-
Al-Noor Holding Company K.S.C. (Holding) (under liquidation) (ii)	Kuwait	-	100%
Al Roudatain for Petroleum Services Co. (K.S.C.C.) (under liquidation) (ii)	Kuwait	-	100%
Bunyan Real Estate Company (K.S.C.C.)	Kuwait	**100%**	100%
Sout Al-Ghad for Advertising Co. (W.L.L)	Kuwait	**100%**	100%
Al Safwa International Consulting Co. (W.L.L.)	Kuwait	**100%**	100%
Al Derah Al-Oula Co. for General Trading and Contracting (W.L.L.)	Kuwait	**100%**	100%
Al Ohadayah Project Management Co. (W.L.L.)	Kuwait	**100%**	100%
Al Sanabil Real Estate Co. (W.L.L.)	Kuwait	**100%**	100%
Al Sodasiyah Project Management Co. (W.L.L.)	Kuwait	**100%**	100%
Babel Holding Co.- K.S.C. (Holding)	Kuwait	**100%**	100%

(i) During the year, the Group acquired an additional equity interest of 20.01% in Dar Al Dhabi Holding Co. K.S.C. (Holding), previously classified as investment in associate and accordingly, Dar Al Dhabi Holding Co. K.S.C. (Holding) became a subsidiary and has been consolidated from the date of control (Note 25).

(ii) Al Roudatain for Petroleum Services Co. K.S.C. (Closed) and Al-Noor Holding Company K.S.C. (Holding) are under voluntary liquidation. The legal procedures for liquidation are under process. Accordingly, the Group de-recognized the subsidiaries and recorded a net loss on liquidation of KD 102,494 for the year ended December 31, 2011.

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.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

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

c) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39: Financial Instruments: Recognition and Measurement. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

d) Financial instruments

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, receivables, investments, due to banks, payables and Murabaha payable. 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 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.

i) 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 and are subject to an insignificant risk of changes in value.

ii) Investments

The Group classifies its investments in the following categories: investments at fair value through income statement and available for sale investments. 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 income statement
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.

(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.

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 income statement.

After initial recognition, investments at fair value through income statement and 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.

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

iii) 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.

iv) Accounts payable

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

v) 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.

vi) Murabaha payable

Murabaha payable represents an agreement whereby the Group takes a certain amount of cash from another party, and invests it according to specific conditions in return for a certain fee (percentage of the amount invested). Costs of Murabaha payable is expensed on an accrual basis.

e) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

f) 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.

The Group recognizes in its other comprehensive income for its share of changes in other comprehensive income of associate.

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.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of 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.

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.

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 amount in the consolidated statement of income.

g) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are re-measured at cost including purchase price and transactions costs less accumulated depreciation and impairment losses. Land on which the investment property is erected is not depreciated. Depreciation is computed on a straight-line basis over the useful life of the buildings.

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.

h) Properties under development

Properties acquired, constructed or in the course of construction for sale are classified as properties under development. Unsold properties are stated at cost. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings.

The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, the total asset value is eliminated from properties under development.

i) Fixed assets

The initial cost of fixed assets 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 fixed assets 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 fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

Fixed assets 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 the consolidated statement of income.

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

Assets category	Years
Buildings	20
Machines and equipment	10
Vehicles	5
Furniture	3 – 20
Computers	5

Certain fixed assets 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 fixed assets.

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 and 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) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period and approximates the present value of the final obligation.

l) 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.

m) Capital

Ordinary shares are classified as equity.

n) 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.

o) 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.

p) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, investments or 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.

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.

Sale of properties under development

- When the agreement is within the scope of IAS 11 –construction contracts and its outcome can be estimated reliably, the Group recognizes the revenue by reference to the stage of completion of the contract activity in accordance with IAS 11 – construction contracts.

- When the agreement is within the scope of IAS 18 – Revenue. The Group recognizes revenue at time of completion, when the significant risks and rewards of ownership of real estate are being transferred from Group at a single time.

- If the significant risks and rewards of ownership are transferred as when construction progresses, the Group recognize revenue by reference to the percentage of completion method.

If there is a doubt about the future economic benefits flowing to the Group, the Group recognizes revenue based on the installment percentage.

Sale of goods
Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

Management fees
Management fees are recognized on accrual basis.

Other income
Fees, commission and consultancy revenue is recognized at the time the related services are provided.

q) 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.

r) 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 profit or loss for the period. 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.

s) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

t) 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.

u) Critical accounting estimates and judgments

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.

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) Provision for doubtful debts and inventories
The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(iii) Classification of investments
On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "available for sale". 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. All other investments are classified as "available for sale".

(iv) 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.

(v) 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) Work in progress
When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

3) Properties held for trading
When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

4) 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.

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 and inventories

The extent of provision for doubtful debts and inventories 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 carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined.

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 and inventory 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.

3. Investments at fair value through income statement

	2011	2010
Held for trading:		
Quoted securities	**2,151,208**	2,421,131
Designated at fair value:		
Investment portfolios	**767,220**	1,975,626
Futures portfolio	**64,331**	86,024
	2,982,759	4,482,781

4. Accounts receivable and other debit balances

	2011	2010
Trade receivables	**1,991,289**	1,654,360
Other debit balances	**229,836**	179,893
	2,221,125	1,834,253

5. Investments available for sale

	2011	2010
Quoted securities	**14,464,604**	23,892,176
Unquoted securities	**10,448,366**	10,483,103
Portfolios	**2,130,391**	2,504,599
Funds	**1,504,191**	2,085,034
	28,547,552	38,964,912

Unquoted securities and portfolios amounting to KD 12,578,757 (December 31, 2010: KD 12,575,923) were stated at their cost less impairment losses due to non-availability of a reliable method that could be used to determine the fair value of such investments.

Quoted security amounting to KD 9,045,892 (2010: KD 13,510,099) is pledged as collateral against loans granted by local banks (Note 9).

Investments available for sale are denominated in the following currencies:

Currency	**2011**	2010
Kuwaiti Dinar	**22,412,058**	32,405,406
US Dollar	**3,383,258**	3,732,316
Euro	**991,661**	1,066,615
UAE Dirhams	**1,760,575**	1,760,575
	28,547,552	38,964,912

On October 13, 2008 the IASB permitted reclassification of some financial instruments from one category to another in rare circumstances (Amendments to IAS 39 and IFRS 7).

The Parent Company elected to apply the amendment effective July 1, 2008 and reclassified certain investments held for trading with a carrying amount of KD 49,747,536 to available for sale investments. Unrealized loss on these remaining investments that would have been recognized in the consolidated statement of income for the year ended December 31, 2011 if these financial assets had not been reclassified amounted to KD 6,085,539 (December 31, 2010: Unrealized loss of KD 5,234,681).

6. Investment properties

	2011	2010
Cost	**20,300,000**	20,300,000
Less: Provision for impairment loss	**(9,575,000)**	(9,400,000)
	10,725,000	10,900,000

The investment properties are pledged against a loan granted by a local bank (Note 9).

The movement during the year is as follows:

	2011	2010
Balance at the beginning of the year	**10,900,000**	12,814,378
Impairment loss on investment properties	**(175,000)**	(1,914,378)
Balance at the end of the year	**10,725,000**	10,900,000

The fair value of the investment properties as of December 31, 2011 has been arrived at based on an average of valuations carried out by two independent valuers.

The Group complied with Kuwait Stock Exchange Committee decision dated December 23, 2010 with respect to guidelines for fair value of investment properties.

7. Properties under development

Properties under development represent plots of land located in Reem Island - Abu Dhabi (UAE) and held with a view to be developed for sale in the future as residential apartments, offices and retail outlets.

The transfer of ownership and title deed of the land will be done on full payment and completion of the development work.

8. Fixed assets

	Land	Buildings	Machines and equipment	Vehicles	Furniture and computers	Capital work in progress	Total
Cost:							
Balance as of December 31, 2010	108,462	969,740	1,650,093	62,968	69,112	13,902	2,874,277
Additions	-	606	73,406	10,984	3,064	18,771	106,831
Effect of acquisition of a subsidiary	-	-	-	22,400	-	-	22,400
Transfers	-	13,311	25,252	-	-	(38,563)	-
Foreign currency translation adjustments	(8,072)	(72,371)	(124,261)	(4,849)	(5,189)	19,003	(195,739)
Balance as of December 31, 2011	**100,390**	**911,286**	**1,624,490**	**91,503**	**66,987**	**13,113**	**2,807,769**
Accumulated depreciation:							
Balance as of December 31, 2010	-	140,887	402,520	31,781	59,193	-	634,381
Charge for the year	-	45,875	161,621	14,691	6,239	-	228,426
Foreign currency translation adjustments	-	(11,166)	(32,359)	(2,528)	(4,497)	-	(50,550)
Balance as of December 31, 2011	**-**	**175,596**	**531,782**	**43,944**	**60,935**	**-**	**812,257**
Net book value:							
Balance as of December 31, 2011	**100,390**	**735,690**	**1,092,708**	**47,559**	**6,052**	**13,113**	**1,995,512**
Balance as of December 31, 2010	108,462	828,853	1,247,573	31,187	9,919	13,902	2,239,896

Depreciation charge has been allocated as follows:

	2011	2010
Net sales revenue	**161,621**	156,629
General and administrative expenses	**66,805**	75,806
	228,426	232,435

9. Due to banks

	2011	2010
Loans	**35,500,000**	37,294,063
Overdraft	**488,565**	393,370
	35,988,565	37,687,433
Average effective interest rate	**4.93%**	4.98%

The Group has pledged investment properties (Note 6), portion of shares owned in a subsidiary and quoted security amounting to KD 9,045,892 (Note 5) as collateral against loans granted by local banks. The loans are set to mature in 2012.

10. Accounts payable and other credit balances

	2011	2010
Trade payables (a)	**24,414,548**	258,135
Advance received from customers (b)	**5,463,488**	-
Other credit balances	**1,047,420**	1,376,493
	30,925,456	1,634,628

(a) Trade payables include KD 21,659,926 that represent the remaining payable amount on the acquisition of properties under development.

(b) This represents advances from customers for booking their residential apartments or offices that would be constructed as part of the properties under development Note (7).

11. Murabaha payable

This represents facilities obtained by Arkan Industrial and Mining (E.S.C.) (wholly owned subsidiary of Arkan Holding Co. K.S.C. (Holding) – subsidiary) carrying an effective cost rate ranging from 13% - 13.5% per annum (2010: 13% - 13.5% per annum) and are secured by first class commercial mortgage on all tangible and intangible components of the commercial shop of the subsidiary.

12. Provision for end of service indemnity

	2011	2010
Balance at the beginning of the year	**436,674**	409,801
Effect of acquisition of a subsidiary	**65,873**	-
Charge for the year	**77,339**	76,461
Transferred to accrued expenses	**(626)**	(310)
Provision no longer required	**(37,433)**	(26,634)
Paid during the year	**(29,125)**	(22,644)
Balance at the end of the year	**512,702**	436,674

13. Share capital

The paid up capital consists of 392,663,910 shares (2010: 392,663,910 shares) of 100 fils each and all shares for cash.

14. Treasury shares

	2011	2010
Number of shares	**34,499,385**	35,219,385
Percentage to issued shares	**8.78%**	8.97%
Market value (KD)	**1,069,481**	1,937,066
Cost (KD)	**6,768,265**	7,081,113

15. Statutory reserve

As required by Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, Zakat, National Labor Support Tax and Board of Directors' remuneration is transferred to statutory reserve. Such transfers may be discontinued when the reserve equals 50% of share capital. This reserve is not available for distribution except for in certain cases stipulated by law and the Parent Company's Articles of Association. No transfer was made to the statutory reserve during the year, due to net losses incurred by the Parent Company during the year.

16. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, Zakat, National Labor Support Tax and Board of Directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly upon recommendation by the Board of Directors. No transfer was made to the voluntary reserve during the year, due to net losses incurred by the Parent Company during the year.

17. General assembly and proposed dividends

a) The Board of Directors proposed not to distribute dividends for the year ended December 31, 2011. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

b) The Shareholders' Annual General Assembly held on April 27, 2011 approved not to distribute dividends for the year ended December 31, 2010.

c) The Extraordinary General Assembly held on May 12, 2011 approved the following:

- To cancel the decision by the Annual General Assembly held on May 3, 2010 to increase the share capital relating to employees stock options plan of 7,139,340 shares. The shares were distributable to employees at 130 fils/share including 30 fils premium.
- To increase share capital by 7,853,280 shares representing 2% of the Company's share capital. These shares are distributable to employees at the par value 100 fils/share without a premium. The current shareholders waived their right in them and all shares are for cash.
- To amend article no. (6) of the Memorandum of Association and article no. (5) of the Articles of Association as follows:

  Before the amendment:
  The share capital of the company is determined to be KD 39,980,325 distributed on 399,803,250 shares with 100 fils each and all shares are for cash.

  After the amendment:
  The share capital of the company is determined to be KD 40,051,719 distributed on 400,517,190 shares with 100 fils each and all shares are for cash.

This was registered in the Commercial Register on June 2, 2011.

d) The Extraordinary General Assembly held on December 27, 2011 approved to amend article no. 5 of the Memorandum of Association and article no. 4 of the Articles of Association relating to the Parent Company's principal activities. The amendment removed all financing related activities of the Parent Company. This was registered in the Commercial Register with the Ministry of Commerce and Industry on January 24, 2012.

18. Net investment income

	2011	2010
Dividend income	**964,662**	836,803
Unrealized loss from investments at fair value through income statement	**(594,032)**	(193,527)
Realized (loss) gain on sale of investments at fair value through income statement	**(212,289)**	289,060
Realized gain on sale of investments available for sale	**461,998**	1,074,344
	620,339	2,006,680

19. General and administrative expenses

General and administrative expenses includes staff costs amounting to KD 1,353,579 (2010: KD 990,776).

20. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. No KFAS has been provided since there was no profit base on which KFAS could be calculated.

21. Zakat

Zakat is calculated at 1% of the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting its share of income from shareholding subsidiaries and associates in accordance with Law No. 46/2006 and Ministry of Finance resolution No. 58/2007. No Zakat has been provided since there was no profit base on which Zakat could be calculated.

22. National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting its share of income from Kuwaiti listed shareholding subsidiaries and associates and dividends from Kuwaiti listed shareholding companies. No NLST has been provided since there was no profit base on which NLST could be calculated.

23. Loss per share

There are no potential dilutive ordinary shares. Loss per share is calculated by dividing the net loss for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	2011	2010
Net loss for the year attributable to shareholders of the Parent Company	**(5,367,284)**	(12,763,984)
	Shares	Shares
Weighted average number of shares outstanding	**357,451,100**	357,614,059
	Fils	Fils
Loss per share attributable to shareholders of the Parent Company	**(15.02)**	(35.69)

24. Related parties' balances and transactions

The Group has entered into various transactions with related parties, i.e. shareholders, board of directors, key management personnel 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:

	Other related parties	2011	2010
(i) Balances included in the consolidated statement of financial position:			
Accounts receivable and other debit balances	51,150	**51,150**	1,500
Investments available for sale	1,504,191	**1,504,191**	2,085,034
Accounts payable and other credit balances	2,500	**2,500**	2,500
(ii) Transactions included in the consolidated statement of income:			
Gain on sale of property under development	-	-	3,350,027
Management and consultancy fees	59,452	**59,452**	87,134
Interest income	-	-	151,151
Impairment loss on investments available for sale	(403,043)	**(403,043)**	(135,687)
Net provision for impairment on loan to an associate	-	-	(2,970,000)
Related party receivable balance written off	-	-	(18,709)
General and administrative expenses	-	-	(219,903)

(iii) Key management compensation:	2011	2010
Salaries and other short term benefits	**280,193**	278,048
Termination benefits	**23,671**	29,425
	303,864	307,473

25. Net gain arising as result of associate becoming a subsidiary for the Group

During the year, the Group acquired an additional equity interest of 20.01% in Dar Al Dhabi Holding Co. K.S.C. (Holding), previously classified as investment in associate. Accordingly, the Group's percentage of holding in the associate increased to 57.329%. Therefore, Dar Al Dhabi Holding Co. K.S.C. (Holding) became a subsidiary and has been consolidated from the date of control.

The acquisition has been accounted for in accordance with IFRS 3R. The Group recognized a net gain of KD 18,756,723 on the business combination achieved in stages and re-measurement of its previously held equity interest in Dar Al Dhabi Holding Co. K.S.C. (Holding). Also other comprehensive income of KD 73,755 was recognized in the consolidated statement of income.

The consideration paid and the fair value of the assets acquired and liabilities assumed recognized at the acquisition date, as well as the non-controlling interest at the proportionate share of the acquiree's identifiable net assets are summarized as follows:

	Total
Assets:	
Cash on hand and at banks	911,035
Accounts receivable and other debit balances	379,975
Properties under development	71,276,271
Fixed assets	22,400
	72,589,681
Liabilities:	
Accounts payable and other credit balances	30,187,155
Revenue received in advance	5,406,666
End of service indemnity	109,548
	35,703,369
Net assets acquired	**36,886,312**
Consideration transferred	20,010,000
Fair value of non-controlling interest in acquiree	15,739,758
Fair value of Group's previously held equity interest	13,765,603
Total consideration	**49,515,361**
Goodwill	**12,629,049**

The Group fully impaired the goodwill for the year ended December 31, 2011.

The net effect on the consolidated statement of income for the year ended December 31, 2011 has been presented as follows:

Net gain on step acquisition and re-measurement of previously held interest in the associate	18,756,723
Related party payable balance written back	3,000,000
Impairment of goodwill	(12,629,049)
Net gain arising as result of associate becoming a subsidiary for the Group	**9,127,674**

26. Fiduciary assets

	2011	2010
Portfolios	**8,654,238**	10,931,736
Funds	**4,583,791**	5,881,014
	13,238,029	16,812,750

27. Capital commitments and contingent liabilities

	2011	2010
Capital commitments	**286,241**	449,244
Letters of credit	**125,783**	156,471
	412,024	605,715

28. Segment information

For management purposes, the Group is organized into four main business segments based on internal reporting provided to the chief operating decision maker:

- Investment Operations: Investing for the Group's benefit in securities, portfolios and funds.
- Asset Management and Advisory Services: Investing and managing client portfolios and funds, corporate finance, investment advisory and research
- Real Estate: Holding investment properties for capital appreciation and selling other properties.
- Retail: Selling goods and rendering services in the ordinary course of business.

The segment information for the reportable operating segments is as follows:

	December 31, 2011					
	Investment Operations	Asset Management & Advisory Services	Real Estate	Retail	Unallocated items	Total
Total revenue	740,191	79,991	-	1,129,538	-	1,949,720
Segment results	(13,479,061)	(44,407)	(175,000)	911,478	-	(12,786,990)
Unallocated operating expenses					(1,947,931)	(1,947,931)
Loss from operations						(14,734,921)
Net gain arising as result of associate becoming a subsidiary for the group					9,127,674	9,127,674
Consultancy revenue					30,000	30,000
Share of results from associates					183,737	183,737
Other income					195,330	195,330
Net loss on liquidation of subsidiaries					(102,494)	(102,494)
Foreign exchange loss					(340,482)	(340,482)
Net loss for the year						(5,641,156)
Other information:						
Segment assets	104,737,652	-	10,725,000	4,365,940	-	119,828,592
Investment in unconsolidated subsidiaries	-	-	-	-	7,780	7,780
Total assets						119,836,372
Segment liabilities	67,226,460	-	-	445,730	-	67,672,190
Total liabilities						67,672,190
Depreciation	-	-	-	(228,426)		(228,426)

	December 31, 2010					
	Investment Operations	Asset Management & Advisory Services	Real Estate	Retail	Unallocated items	Total
Total revenue	2,162,822	146,580	3,350,027	1,025,360	-	6,684,789
Segment results	(7,738,526)	11,555	1,435,649	703,017	-	(5,588,305)
Unallocated operating expenses					(2,251,893)	(2,251,893)
Loss from operations						(7,840,198)
Consultancy revenue					20,000	20,000
Share of results from an associate					104,634	104,634
Other income					54,765	54,765
Impairment loss on investment in an associate					(5,000,000)	(5,000,000)
Net loss on liquidation of a subsidiary					(40,500)	(40,500)
Related party receivable balance written off					(18,709)	(18,709)
Foreign exchange loss					(44,018)	(44,018)
Net loss for the year						(12,764,026)
Other information:						
Segment assets	44,725,835	-	10,900,000	4,472,736	-	60,098,571
Investment in associates	-	-	-	-	18,058,135	18,058,135
Investment in unconsolidated subsidiaries	-	-	-	-	7,780	7,780
Total assets						78,164,486
Segment liabilities	39,492,507	-	-	716,792	-	40,209,299
Total liabilities						40,209,299
Depreciation	-	-	-	(232,435)	-	(232,435)

29. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, receivables, investments, due to banks, payables and Murabaha payable, and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on floating rate borrowings).

Year	Increase / (Decrease) in interest rate	Balance on December 31	Effect on consolidated statement of income
2011			
KD Loans	**±50 basis points**	**35,500,000**	**±(177,500)**
KD Overdraft	**±50 basis points**	**488,565**	**±(2,443)**
EGP Murabaha payable (Fixed rate)	**±50 basis points**	**245,467**	**-**
2010			
KD Loans	±50 basis points	37,294,063	±(186,470)
KD Overdrafts	±50 basis points	393,370	±(1,967)
EGP Murabaha payable (Fixed rate)	±50 basis points	450,564	-

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, receivables and due from related parties. The Group's cash and cash equivalents are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents and receivables.

c) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between foreign currencies and Kuwaiti Dinar.

Year	Increase / (Decrease) against KD	Effect on consolidated statement of income	Effect on other comprehensive income
2011			
US Dollar	**±5%**	**±43,758**	**±169,163**
EURO	**±5%**	**±1,064**	**±49,583**
UAE Dirhams	**±5%**	**±1,121,025**	**±361,203**
Sterling Pound	**±5%**	**±194**	**-**
Egyptian Pound	**±5%**	**-**	**±76,297**
2010			
US Dollar	±5%	±102,850	±186,616
EURO	±5%	±1,582	±53,331
UAE Dirhams	±5%	-	±88,029
Sterling Pound	±5%	±443	-
Singapore Dollar	±5%	±1,136	-
Egyptian Pound	±5%	-	±32,765
Japanese Yen	±5%	±12	-

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The maturity profile of assets and liabilities as at December 31, 2011 was as follows:

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets:						
Cash and cash equivalents	1,606,179	-	-	-	-	1,606,179
Investments at fair value through income statement	-	2,982,759	-	-	-	2,982,759
Accounts receivable and other debit balances	-	-	2,221,125	-	-	2,221,125
Inventories	-	-	417,421	-	-	417,421
Investments available for sale	-	-	14,464,604	14,082,948	-	28,547,552
Investment in unconsolidated subsidiaries	-	-	-	7,780	-	7,780
Investment properties	-	-	-	-	10,725,000	10,725,000
Properties under development	-	-	-	-	71,333,044	71,333,044
Fixed assets	-	-	-	-	1,995,512	1,995,512
	1,606,179	2,982,759	17,103,150	14,090,728	84,053,556	119,836,372
Liabilities:						
Due to banks	-	488,565	35,500,000	-	-	35,988,565
Accounts payable and other credit balances	-	254,422	3,560,584	27,110,450	-	30,925,456
Murabaha payable	-	-	178,110	67,357	-	245,467
Provision for end of service indemnity	-	-	-	-	512,702	512,702
	-	742,987	39,238,694	27,177,807	512,702	67,672,190

The maturity profile of assets and liabilities as at December 31, 2010 was as follows:

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets:						
Cash and cash equivalents	1,266,535	-	-	-	-	1,266,535
Investments at fair value through income statement	-	4,482,781	-	-	-	4,482,781
Accounts receivable and other debit balances	-	-	1,834,253	-	-	1,834,253
Inventories	-	-	410,194	-	-	410,194
Investments available for sale	-	-	23,892,176	15,072,736	-	38,964,912
Investment in associates	-	-	-	18,058,135	-	18,058,135
Investment in unconsolidated subsidiaries	-	-	-	7,780	-	7,780
Investment properties	-	-	-	-	10,900,000	10,900,000
Fixed assets	-	-	-	-	2,239,896	2,239,896
	1,266,535	4,482,781	26,136,623	33,138,651	13,139,896	78,164,486
Liabilities:						
Due to banks	-	29,794,063	7,893,370	-	-	37,687,433
Accounts payable and other credit balances	-	1,368,399	266,229	-	-	1,634,628
Murabaha payable	-	-	223,302	227,262	-	450,564
Provision for end of service indemnity	-	-	-	-	436,674	436,674
	-	31,162,462	8,382,901	227,262	436,674	40,209,299

Analysis of Group's capital commitments and contingent liabilities by remaining contractual maturities:

2011	**Less than a year**	**1 - 5 years**	**Total**
Capital commitments	**286,241**	**-**	**286,241**
Letters of credit	**-**	**125,783**	**125,783**
	286,241	**125,783**	**412,024**

2010:	Less than a year	1 - 5 years	Total
Capital commitments	300,000	149,244	449,244
Letters of credit	-	156,471	156,471
	300,000	305,715	605,715

e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as "at fair value through income statement" and "available for sale".

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31:

	2011			2010		
Market indices	**Change in equity price %**	**Effect on other comprehensive income**	**Effect on consolidated statement of income**	Change in equity price %	Effect on other comprehensive income	Effect on consolidated statement of income
Kuwait Stock Exchange	**±5%**	**723,230**	**110,777**	±5%	±1,194,609	±125,358

f) Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. At December 31, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of certain available – for - sale investments as indicated in Note (5).

Fair value estimation

The Group had measured fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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 (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets that are measured at fair value at December 31:

2011:	**Level 1**	**Level 2**	**Total**
Investments at fair value through income statement	**2,215,539**	**767,220**	**2,982,759**
Investments available for sale	**14,464,604**	**1,785,067**	**16,249,671**
Total	**16,680,143**	**2,552,287**	**19,232,430**

2010:	Level 1	Level 2	Total
Investments at fair value through income statement	2,507,155	1,975,626	4,482,781
Investments available for sale	23,892,176	2,496,814	26,388,990
Total	26,399,331	4,472,440	30,871,771

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily traded equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

30. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

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 capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2011	2010
Due to banks	**35,988,565**	37,687,433
Murabaha payable	**245,467**	450,564
Less: cash and cash equivalents	**(1,606,179)**	(1,266,535)
Net debt	**34,627,853**	36,871,462
Total equity	**52,164,182**	37,955,187
Total capital resources	**86,792,035**	74,826,649
Gearing ratio	**39.90%**	49.28%

31. Comparative figures

Certain of the prior year amounts have been reclassified to conform with the current year presentation.