إستراتيجيا
STRATEGIA
Investment Company للاستثمار

ANNUAL REPORT 2011

AUTHENTIC INVESTMENT VISION

ANNUAL REPORT 2011

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H.H. Sheikh
Sabah Al Ahmad Al Jaber Al Sabah
Amir of State of Kuwait

H.H. Sheikh
Nawaf Al Ahmad Al Jaber Al Sabah
The Crown Prince of State of Kuwait

H.H. Sheikh
jaber Mubarak Al Hamad Al Sabah
The Prime Minister

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Chairman's Message

"And say (unto them): Act! Allah will behold your actions, and (so will) His messenger and the believers"

I have a great pleasure in presenting the annual report and the financial statements of Strategia Investment Company (SIC) for the year 2011. Let me begin the presentation by conveying our deepest regards on behalf of the Board of Directors of the Company as well as on my own behalf to all the Shareholders and staff members of SIC.

Key events of 2011

The year 2011 was an eventful year at local as well as at GCC and International levels sending mixed signals about revival process after the global financial melt down in late 2008. The biggest economy of the world USA and the other developing economies have shown the signs of recovery with increased business activity and significant improvement in overall economic condition. However the Eurozone is struggling to resolve the debt crisis and restore pre-financial crisis financial conditions. As an after effect of the global financial crisis, USA economy was downgraded to negative outlook by the global rating agencies followed by France. With an initial knee jerk reaction the global business markets have discounted the subject decisions and are striving to conduct the business in a normal and aggressive manner to restore the pre crisis business levels.

In 2011 at MENA Region and GCC levels, the affected economies were struggling to stabilize their economic conditions. Although most of the affected economies had proposed development packages of sizable amounts to improve the economies, the execution of the same was in arrears due normalization process still in progress. Of course the arrears of significant amount of development plans work should indicate the future business opportunities.

At local level the 2011 was a year of hope for improvement in the overall economic condition due to reasonably high oil prices generating large surpluses in the yearly budget and ambitious development plan of KD 30 billion under execution. Although the Kuwait stock market showed marginal improvement during the year, there was wide deficit in execution of development plan due to political stalemate leading to lesser expenditure in turn leading to lesser GDP growth.

The consolation of overall events of 2011 appears to be that there are sign of global recovery, even though at a slow speed and there are reasonably good prospects for immediate future business opportunities at local, GCC and international levels considering the various development plans under progress, the reasonably high level of oil prices and improved market sentiments in the international markets.

Key Company events and Company's financial performance of 2011

At the company level, we can say that the year 2011 was a year of consolidation and a year for getting ready to cease the future business opportunities.

Considering the changed business environment and the emerging future business opportunities, consolidation of the company's working operations was necessary and various steps were taken during 2011 to address the same.

Asset Management

- Considering reasonably good performance of the World Real Estate Fund over a period of time, the company decided to pay back the investors their due amounts and repackage the fund on new and more attractive terms.
- REIT Industry dealing has always been the specialty of SIC. It is well known that despite global financial crisis, the company was able to protect our investors through market intelligence and hard work of our US and Local teams. Although the performance of Global REITs was negative during the year 2011 due to unstable markets, the same have been showing significant improvement during the new year and have not only covered for the last year's deficit but have reflected reasonable gains in the first two months of 2012 indicating better future prospects.
- In 2011 a comprehensive research was undertaken to find the new needs of the investors and some products were broadly designed to be launched over a period of time as per opportunities and potential availability.

Direct Investments

- Some of the old stock investments waiting for the disposa,l were disposed off during the year at the right opportunity in the market to realize reasonable earnings for the company.
- Taking the advantage of the low prices fresh stock investment with the long term strategic outlook were undertaken to generate both capital and revenue gains for the company on a regular basis.

Cost Reduction & Revenue generation

- The company successfully negotiated settlement of bank's outstanding dues and closure of legal dispute at a sumptuous discount of KD 490,000/-. The deal had the effect of stopping regular interest charge for the company with a windfall gain of KD 490,000/- for the year 2011.
- Various administrative expenses heads were reviewed for rationalization and the related expenses were curtailed to improve the bottom line of the company.

Security concerns

- The Information Technology (IT) infrastructure of the company was revamped to improve the efficiency and client service. As a part of the same an agreement was reached with Marsoft Co. for their integrated software for the company along with the maintenance contract.
- SIC completed disaster recovery plan during 2011 to protect and safeguard company's assets in case of an eventuality of any disaster.
- The company conducted Anti Money Laundering training for its employees to safeguard the company's operations and to meet the CBK guidelines.

Regulatory Requirements

- The company submitted its package for registration with Capital Markets Authority (CMA) as per new CMA law No. 7/2010 and Executive Memorandum decision no. 4-2/2011. It may be a pleasure to note that our company was one of the first few companies to observe the subject formality.

Financial Performance

The year under review being a part of the consolidation period, the revenue generation came from consolidation actions as well as from the main stream business income of the company.

- In spite of dismal picture of the stock market during the year the company was able to generate Investment net income of KD 847.5M mainly due to gain on sale of investments available for sale and management fees of KD 248.8M
- As a part of consolidation actions, the company was able to get an interest discount of KD 489.8M on the settlement of its loan with the bank.

Following the rule of "Do not loose shareholders' money" the company was able reduce the costs to erase the losses and to show a token profit for the year.

- The Finance cost, provision for impairment of investments; other costs were the major contributors on cost reduction side.
- The entire amount of intangible assets was written off by way of abundant precaution and formed a part of the total cost during the year.
- After all the necessary financial adjustments, the company was able to show the token profit of KD 19.6M for the year 2011 as against the loss of KD 2.666 Million during the year 2010.

Dividend Payment

Taking into account the token profit earned during the year and requirement of funds for anticipated enhanced level of business in the future, the Board of Directors decided to skip any dividend payment for the year 2011.

Gratitude and appreciation

On behalf of the Board of Directors and on my own behalf, I would like to express a sense of gratitude and pay tributes to His Highness the Amir, Sheikh Sabah Al Ahmed Al Sabah, H. H. the Crown Prince Sheikh Nawaf Al Ahmed Al Sabah, H.H. the Prime Minister Sheikh Jaber Al Mubarak Al Sabah, H. Excellency the Governor of Central Bank of Kuwait Dr. Mohammed Youssef Al Hashel and H Excellency the Governor of Capital Markets Authority Mr. Saleh Mubarak Al Falah. May Al mighty God safeguard them all for the continued support and guidance of our country's economic progress and welfare.

We are also thankful to our valued shareholders and investors for the trust they have placed in us. We are determined repay their trust by making our company the market leader both at local and international levels and by creating long term values for their investments.

Finally we are also thankful to all the staff members of SIC for their hard work and dedication which is driving our transformation through the present difficult market conditions.

Looking Forward

As mentioned in the beginning globally the economic recovery process is getting momentum indicating better days ahead. With development plans of huge amounts in the progress in various MENA Region countries including in the State of

Kuwait, the next year (i.e. 2012) as well future three four years are going to be full of business activities providing immense business opportunities to all business organizations in general including to investment management companies and we have a long term plan in place for our company on the subject assumption.

To cease the lucrative business opportunities and to share the prosperity with our shareholders and investors, the company has decided to increase its capital by 100% through a rights issue and I have a pleasure in announcing that the Capital Market Authority of Kuwait (CMA) has approved our company's request for the proposed increase in the capital. As you are already informed the Extra Ordinary General Meeting of the shareholders will take place today itself for this approval of the proposed capital increase and we intend to complete the subject process at the earliest immediately after the shareholders' approval. The company's future investment plan includes some of the large strategic investments for the future growth.

I believe that with the steps taken in the direction of restructuring and consolidating operations, our company is ready for the new boom. I have every faith in the bright and strong future of the company and am confident that we are on the right track to become a premier investment company.

Mr. Mishal Nasser Habib
Chairman & Managing Director

BOARD OF DIRECTORS

Mr. Mishal Nasser Habib
Chairman & Managing Director

Mr. Ahmed Mohammed Hassan
Vice Chairman

Mr. Soud Abdulaziz Al- Mansour
Board Member

Mr. Hassan Kamal Caedbey
Board Member

Mrs. Amani Ibrahim Al-Omani
Board Member

Mr. Ghazi Ahmed Al-Osaimi
Board Member

Strategia

Investment Company – KSCC
And its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditors' Report For the year ended 31 December 2011

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Strategia Investment Company – KSCC
State of Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Strategia Investment Company - KSCC "The Parent Company" and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

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Strategia Investment Company – KSCC
State of Kuwait

Other Matters

The consolidated financial statements for the year ended 31 December 2010 were audited by another auditor whose report dated 2 March 2011 expressed an unmodified opinion on those consolidated financial statements.

Emphasis of Matter

As disclosed in note (21) to these consolidated financial statements. During the current year, the Parent Company made adjustments related to prior years. Therefore, the comparative figures have been retrospectively restated taking into consideration the effect of these adjustments. Our opinion is not qualified in respect of this matter.

Report on Review of 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 the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Commercial Companies Law of year 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 violations of the Commercial Companies Law of 1960, as amended, or the Parent Company's Articles of Association have occurred during the year ended 31 December 2011 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the year ended 31 December 2011, except as disclosed in (note 22).

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

Dr. Saud Hamad Al-humaidi
Licence No. 51A
Dr. Saud Al-humaidi & Partners
Member of Baker Tilly International

Consolidated Statement of Financial Position as of 31 December 2011

(All amounts are in Kuwaiti Dinars)

	Note	31 December 2011	31 December 2010 (Restated)	31 December 2009 (Restated)
Assets				
Cash and cash equivalents	5	3,132,010	13,786,153	3,065,529
Investments at fair value through profit or loss		2,752	490,002	457,624
Investments available for sale	6	10,207,200	7,078,441	6,085,152
Receivables and other debit balances	7	134,653	452,726	362,185
Property and equipment		30,807	26,871	52,629
Intangible assets	8	-	570,353	1,611,293
Total assets		13,507,422	22,404,546	11,634,412
Equity and liabilities				
Liabilities				
Payables and other credit balances	9	249,859	1,274,787	654,890
Due to banks	10	-	6,096,891	6,223,678
Total liabilities		249,859	7,371,678	6,878,568
Equity				
Share capital	11	15,000,000	15,000,000	17,577,000
Share premium		460,935	460,935	250,000
Statutory reserve	12	-	-	453,471
General reserve	13	-	-	145,864
Foreign currency translation reserve		43,600	40,177	40,151
Change in fair value reserve		(258,890)	1,539,469	146,834
Accumulated losses		(1,988,082)	(2,007,713)	(13,857,476)
Total equity		13,257,563	15,032,868	4,755,844
Total equity and liabilities		13,507,422	22,404,546	11,634,412

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

Mishal Nasser Habib
Chairman & Managing Director

Consolidated Statement of Income for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars)

	Note	2011	2010 (Restated)
Revenues			
Management fees	18	248,788	615,350
Investments net income	14	847,552	154,921
Interest income		59,873	43,600
Other income	15	605,285	-
		1,761,498	813,871
Expenses			
Staff costs		(449,736)	(474,101)
Other expenses		(298,241)	(497,077)
Finance costs		(273,170)	(498,565)
Depreciation		(23,267)	(38,482)
Provisions and impairment		-	(1,118,922)
Losses from disposal of intangible assets		(570,353)	-
Foreign currency differences		(127,100)	(38,512)
		(1,741,867)	(2,665,659)
Net profit / (loss) for the year		19,631	(1,851,788)
Earnings / (losses) per share (fils)	16	0.13	(38.73)

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars)

	Note	2011	2010 (Restated)
Profit / (loss) for the year		19,631	(1,851,788)
Other comprehensive income			
Change in fair value of investments available for sale		(1,322,316)	1,304,037
Transferred to statement of income from sale of investments available for sale		(1,093,740)	(52,229)
Impairment of investments available for sale	14	617,697	-
Foreign currency translation differences		3,423	26
Net loss resulted from settlement of cash flows transferred to consolidated statement of income		-	140,827
Total other comprehensive (loss) / income items		(1,794,936)	1,392,661
Total comprehensive losses for the year		(1,775,305)	(459,127)

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars)

	Share Capital	Share premium	Statutory reserve	General reserve	Foreign currency translation reserve	Change in fair value reserve	Accumulated losses	Total
Balance as of 1 January 2010 as previously stated	17,577,000	250,000	453,471	145,864	40,151	146,834	(13,701,551)	4,911,769
Adjustments note (21)	-	-	-	-	-	-	(155,925)	(155,925)
Balance as of 1 January 2010 (restated)	17,577,000	250,000	453,471	145,864	40,151	146,834	(13,857,476)	4,755,844
Net loss for the year (restated)	-	-	-	-	-	-	(1,851,788)	(1,851,788)
Other comprehensive income items								
Change in fair value of investments available for sale	-	-	-	-	-	1,304,037	-	1,304,037
Transferred to statement of income on sale of investments available for sale	-	-	-	-	-	(52,229)	-	(52,229)
Foreign currency translation reserve	-	-	-	-	26	-	-	26
Net loss resulted from settlement of cash flows transferred to consolidated statement of income	-	-	-	-	-	140,827	-	140,827
Total other comprehensive income items	-	-	-	-	26	1,392,635	-	1,392,661
Amortization of accumulated losses	(12,852,216)	(250,000)	(453,471)	(145,864)	-	-	13,701,551	-
Issuance of share capital	10,275,216	460,935	-	-	-	-	-	10,736,151
Balance as of 31 December 2010 (restated)	15,000,000	460,935	-	-	40,177	1,539,469	(2,007,713)	15,032,868
Balance as of 1 January 2011 as previously stated	15,000,000	460,935	-	-	40,177	1,539,469	(952,256)	16,088,325
Adjustments note (21)	-	-	-	-	-	-	(1,055,457)	(1,055,457)
Balance as of 1 January 2011 (restated)	15,000,000	460,935	-	-	40,177	1,539,469	(2,007,713)	15,032,868
Net profit for the year	-	-	-	-	-	-	19,631	19,631
Other comprehensive income items								
Change in fair value of investments available for sale	-	-	-	-	-	(1,322,316)	-	(1,322,316)
Transferred to statement of income on sale of investments available for sale	-	-	-	-	-	(1,093,740)	-	(1,093,740)
Impairment of investments available for sale	-	-	-	-	-	617,697	-	617,697
Foreign currency translation reserve	-	-	-	-	3,423	-	-	3,423
Total other comprehensive income / (loss) items	-	-	-	-	3,423	(1,798,359)	-	(1,794,936)
Balance as of 31 December 2011	15,000,000	460,935	-	-	43,600	(258,890)	(1,988,082)	13,257,563

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

Consolidated Statement of Cash Flows for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars)

	Note	2011	2010 (restated)
Cash flow from Operating activities			
Net profit / (loss) for the year		19,631	(1,851,788)
Adjustments			
Depreciation		23,267	38,482
Finance costs		273,170	498,565
Interest income		(59,873)	(43,600)
Investments income		(847,552)	(154,921)
Provisions no longer required	15	(80,690)	-
Impairment of other assets		-	77,982
Impairment of intangible assets		570,353	1,040,940
Operating losses before changes in operations' assets and liabilities		(101,694)	(394,340)
Financial investments at fair value through profit or loss		448,626	21,783
Receivables and other debit balances		318,073	(74,654)
Payables and other credit balances		(574,593)	138,807
Net cash generated from / (used in) operating activities		90,412	(308,404)
Cash flow from investing activities			
Paid for purchase of available for sale investments		(8,864,680)	(337,922)
Proceeds from sale of available for sale investments		4,605,850	580,220
Paid for purchase of property, plant and equipment		(27,203)	(12,724)
Dividends received		217,888	19,703
Interest income received		59,873	43,600
Net cash (used in) / generated from investing activities		(4,008,272)	292,877
Cash flow from financing activities			
Proceeds from premium share		-	10,736,151
Paid for banks		(6,096,891)	-
Finance cost paid		(639,392)	-
Net cash (used in) / generated from financing activities		(6,736,283)	10,736,151
Decrease) / increase in cash and cash equivalents)		(10,654,143)	10,720,624
Cash and cash equivalents at the beginning of the year		13,786,153	3,065,529
Cash and cash equivalents at the end of the year		3,132,010	13,786,153

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Incorporation and activities

Strategia Investment Company KSCC (the Parent Company) is a Kuwaiti shareholding company incorporated in Kuwait in 1998 and is engaged in carrying out investments for its own account and for clients, as well as investments in portfolio and fund management activities and is regulated by the Central Bank of Kuwait and Capital Markets Authority. The Parent Company was listed on the Kuwait Stock Exchange on 3 December 2008.

The Parent Company's registered office is at Al Nassar Tower, Fahed Al Salem Street, P.O. Box 1346, Kuwait.

The consolidated financial statements include the financial statement of the Parent Company and its subsidiaries, which are fully owned and mentioned below together referred to as "the Group".

Name	Country of incorporation	Activity	Equity interest (%)
Strategia Investors Inc.	United States	Investment manager and advisor	100
Marquee Fund Manager Limited	United Kingdom	Investment manager and advisory services	100
Strategia Investors Service Limited	Antigua and Burmuda	Investment manager and advisor to a real estate fund	100
Strategia Private Equity Limited	Cayman	Investments	100

For the purposes of consolidation, it had been relied on financial information prepared by the management of subsidiaries. The total assets of these subsidiaries amounted to KD 368,432 as of 31 December 2011 (KD 416,308 as of 31 December 2010), and net losses amounted to KD 103,318 for the year ended 31 December 2011 (KD 44,692 for the year ended 31 December 2010).

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on 23 February 2012.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

2.2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2.2 Significant Accounting Policies (Continued)

those used in the previous year except for the adoption of the following new and amended IFRSs that are effective from 1 January 2011.

New and revised IFRSs that have been applied in the current year

IAS 1: Presentation of Financial Statements

The amendment clarifies that an entity may present an analysis of each component of equity either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item. The Group provides these analysis in the statement of changes in equity.

IAS 24: Related party disclosures (Revised)

The amended standard clarifies the definition of a related party and lays down additional requirements for disclosure of outstanding commitments to related parties. The adoption of the amendment does not have any material impact on the consolidated financial statements of the Group.

IFRS 3: Business Combinations

IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's 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 other Standards.

IAS 32: Financial Instruments (Amended)

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. The amendments require retrospective application. The application of the amendments has had no effect on the consolidated financial statements of the Group.

Other improvements to IFRSs issued in 2010

The application of other improvements to IFRSs issued in 2010 has not had any material effect on the consolidated financial statements of the Group.

Standards and Interpretations issued but not yet effective

The following new and revised IASB Standards and IFRIC Interpretations have been issued but are not yet effective and have not been early adopted by the Group:

For annual periods beginning on or after 1 July 2011

IFRS 7: Financial Instruments: Disclosures

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the entity's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's

Standards and Interpretations issued but not yet effective (Continued)

continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

For annual periods beginning on or after 1 January 2012

IAS 1: Financial Statement Presentation

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

For annual periods beginning on or after 1 January 2013

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27: Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11: Joint Arrangements

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31: Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures.

IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IFRS 13: Fair Value Measurement

IFRS 13 Fair Value Measurement replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

For annual periods beginning on or after 1 January 2015

IFRS 9: Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars unless otherwise stated)

For annual periods beginning on or after 1 January 2015 (Continued)

measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The application of IFRS 9 is under local regulatory review for early adoption in the State of Kuwait.

2.2.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Any related accumulated items in equity will be accounted for as if the Company had directly disposed of the relevant assets (reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

2.2.1 Basis of Consolidation (Continued)

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

Goodwill

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

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

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

2.2.2 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2.2.2 Financial instruments (Continued)

purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note (3).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment.

Available for sale (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note (3).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

2.2.2 Financial instruments (Continued)

Impairment in value (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.2.3 Property and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where

2,2,3 Property and equipment (Continued)

it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

2.2.4 Impairment in tangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.2.5 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.2.6 End of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these coun

tries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.2.7 Revenue recognition

Gain on sale of investments is recognised at the completion of the transaction. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis based on the maturity dates of the related assets by using the effective yield method. Management and subscription fees are recognized when the services are provided.

2.2.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.2.10 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of equity.

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2.2.11 Dividends

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.2.12 Fiduciary assets

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

2.2.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3. Financial risk management

3.1 Financial risk factors

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

(a) Market risk

Foreign currency risks

The Group is exposed to the risk of foreign currency resulting primarily from dealing in financial instruments with US Dollar. The risk of foreign exchange is resulting from future transactions on financial instruments in foreign currency recorded in the financial statements of the Group.

The Group's policies for managing foreign exchange risk, represented in the careful monitoring of changes in currency rates and its related impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advisory in case of any significant change in foreign currencies' rates.

In the case of an increase in the US Dollar against the Kuwaiti Dinar by 5% as of 31 December 2011 the Group's net profit and equity would have changed by KD 72,914 (2010: KD 114,295 and KD 73,053 respectively).

Following is the net position of the foreign currencies as of 31 December:

	2011	2010
US$ Surplus	1,452,768	214,528

Fair value risk

The Group is exposed to fair value risk arising from fluctuation of financial instrument value resulting from change in market price. The Group is exposed to the price risk arising from its investments that are classified in the consolidated financial statement as available for sale investments and investments at fair value through profit or loss.

For managing this risk, the Group is monitoring market prices of these investments, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for these investments.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

The following sensitivity analysis shows the impact of the change in the indexes of the financial markets on the Group's business, as well as equity. This analysis is based on the change in the index by 5%.

	Impact on equity		Impact on operating results	
	2011	2010	2011	2010
Index of the Kuwait Stock Exchange	429,334	220,502	46,882	-
Others	12,103	25,995	21,813	24,500

Interest rate risk

The interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the market interest rates. The Group's exposure to interest rate risk arises from deposits and bank facilities bearing variable interest rates, which expose the Group to the risk of cash flow fluctuations, resulted from changes in interest rate.

The Group is managing this risk by locking the deposits for a short-term period relatively. The Group is periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group's cash flows and profits in addition to take the necessary action in order to meet the possibility of these probability.

During the year, the Group has settled all the matured bank facilities.

(b) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharges their contractual obligations.

Credit risk is managed by the level of the Group by monitoring credit policy on regular basis.

Credit risk is highly concentrated in cash and cash equivalents, time deposits and receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation. The Group does not grant credit only within the limits of the requirements and the normal course of business taking into consideration its financial position, past experience and reputation.

(c) Liquidity risk

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining group of highly liquid financial investments. This facilitates to the Group, the availability of liquidity when needed. In addition, the group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

All outstanding liabilities as of 31 December 2011 and 2010 are matured within one year from the financial statement date.

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars unless otherwise stated)

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group comprising issued capital, reserves, retained earnings.

The Parent Company's strategy is mainly represented in using self finance for the Group's activities instead of depending on debts.

3.3 Fair value estimation

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below represents the financial instrument's analysis that recorded at fair value on the levels above mentioned:

	2011			
	Level one	Level two	Level three	Total
Assets				
Investments available for sale	8,632,484	-	1,574,716	10,207,200
Investments at fair value through profit or loss	-	2,752	-	2,752

	2010			
	Level one	Level two	Level three	Total
Assets				
Investments available for sale	4,694,326	235,604	2,148,511	7,078,441
Investments at fair value through profit or loss	-	490,002	-	490,002

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(All amounts are in Kuwaiti Dinars unless otherwise stated)

4. Critical accounting estimates and judgments

4.1 Critical accounting estimates and assumptions

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

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

Evidence of impairment of investments

Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

5. Cash and cash equivalents

	2011	2010
Cash on hand and at banks	453,259	356,119
Time deposits	2,678,440	13,430,034
Cash at portfolios	311	-
	3,132,010	13,786,153

The average interest rate on time deposits vary from 1% to 4.25% as of 31 December 2011 (1.25% - 1.75% as of 31 December 2010).

6. Investments available for sale

	2011	2010
Quoted shares	8,632,484	4,694,326
Unquoted shares	655,062	717,231
Equity funds	919,654	1,666,884
	10,207,200	7,078,441

Unquoted investments available for sale are carried at cost, less impairment due to unavailability of market values for these investments and lack of other suitable methods to determine reliable fair value for these investments. Impairment losses of KD 617,697 were recorded based on internal studies prepared by the management (note 14).

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(All amounts are in Kuwaiti Dinars unless otherwise stated)

6. Investments available for sale (Continued)

Investments available for sale are dominated into the following currencies:

	2011	2010
Kuwaiti Dinar	9,524,316	5,667,933
US Dollar	427,013	1,377,669
Saudi Riyal	242,059	-
Other currencies	13,812	32,839
	10,207,200	7,078,441

7. Receivables and other debit balances

	2011	2010
Management fees	627,752	724,854
Receivables	425,725	655,364
Prepaid expenses	39,590	30,922
	1,093,067	1,411,140
Provision for doubtful debts	(958,414)	(958,414)
	134,653	452,726

8. Intangible assets

This item represents the cost of obtaining the right of managing investment portfolios. During 2011, the management recorded losses of KD 570,353 which resulted from disposal of these assets as the management contracts have been expired.

9. Payables and other credit balances

	2011	2010 (Restated)
Accrued expenses	114,426	159,986
Others	135,433	258,762
Accrued interest	-	856,039
	249,859	1,274,787

10. Due to banks

	2011	2010
Loans in KD	-	4,944,600
Loans in Euro	-	1,152,291
	-	6,096,891

Term loans are carried at variable interest rates, while the average interest rate is 4.25% to 8.25% during the period ended 31 December 2011 (5.5% to 8.25% as of 31 December 2010).

During the year ended 31 December 2011, the Parent Company has settled all its loans, additionally debt settlement agreement has been signed as well as waiver of legal lawsuits.

11. Share capital

The Company's issued and paid up capital is KD 15,000,000 allocated over 150,000,000 as of 31 December 2011 and 2010 with 100 fils per each. All shares are in cash.

12. Statutory reserve

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, 10% of net profit before KFAS, National Labor Support Tax, Board of Directors' remuneration and Zakat expense are transferred to statutory reserve. Statutory reserve is not distribute able to shareholders; however, the reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Parent company and its shareholders.

13. Voluntary reserve

In accordance with the Parent company's Articles of Association, 1% of net profit as proposed by the Board of Directors and approved by the General Assembly is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors.

14. Investments net income

	2011	2010
Realized losses from investments at fair value through profit or loss	(38,624)	(5,376)
Unrealized profit from investments at fair value through profit or loss	-	59,537
Gain on sale of investments available for sale	1,285,985	52,229
Cash dividends	217,888	116,881
Impairment of available for sale investments	(617,697)	(68,350)
	847,552	154,921

15. Other income

Other income for the year ended 31 December 2011 includes an amount of KD 489,816 represents the interest due on bank loans which have been waived by the creditor banks under the settlement and reconciliation agreement signed with the banks during the period, it also includes an amount of KD 80,690 represented in provisions no longer required.

16. Earnings / (losses) per share

Earnings / (losses) per share are computed by dividing the net profit / (loss) for the year attributable to the shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period as follows:

	2011	2010 (Restated)
Net profit / (loss) for the year	19,631	(1,851,788)
Weighted average number of ordinary shares outstanding during the year	150,000,000	47,810,866
(Earnings / (losses) per share (fils	0.13	(38.73)

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17. Related party transactions

Related parties are the shareholders of Parent Company who are represented in board of directors as well as major shareholders and the companies in which any of its members is in the same time a board member in the Parent Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried some transactions during the year with related parties. The transactions which are included in the financial statements as follows:

	2011	2010
Transactions		
Salaries and other staff remunerations	175,551	205,635
End of service indemnity	12,481	4,578
	188,032	210,213

	2011	2010
Balance sheet		
Payables and other credit balances	79,817	31,565

18. Fiduciary assets

The Group manages portfolios on behalf of customers and maintains cash balances and securities in fiduciary accounts which are not reflected in the group's consolidated financial statements. The aggregate net asset value held in a fiduciary capacity by the Group of KD 29,584,480 as of 31 December 2011 (KD 76,919,766 as of 31 December 2010).

The total management fees income during the year ended 31 December 2011 is KD 248,788 (31 December 2010: KD 615,350).

19. Segment information

For management purposes, the group is organised into business units based on activities and services and has two reportable operating segments as follows:

Investment activities	Investing in securities, funds, lending to corporate and individual customers and managing the group's liquidity requirements.
Investment management and advisory services	Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related financial services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the return on investments. The group does not have any inter-segment transactions.

The following table presents segment revenue and results information regarding the Group's business segments:

19. Segment information (Continued)

	Investment activities	Investment management and advisory services	Total
Year ended 31 December 2011			
Allocated revenue	907,425	248,788	1,156,213
(Unallocated revenues note (15	-	-	605,285
Results – profit	(264,089)	(321,565)	(585,654)
			19,631
Year ended 31 December 2010			
Revenue	198,521	615,350	813,871
(Results – (loss) / profit (restated	(1,426,198)	(425,590)	(1,851,788)

The following table presents information of segment assets:

	Investment activities	Investment management and advisory services	Total
Segment assets			
At 31 December 2011	13,448,459	58,963	13,507,422
At 31 December 2010	21,417,885	986,661	22,404,546

20. Geographical distribution of assets and revenues

The management has determined the segments based on reports prepared by the Group's executive management.

The executive management divided the Company's activities based on the geographic location as the Company's main activity is investment. Following is the Geographical distribution of segments:

	2011			
	Middle East	USA	Europe	Total
Segment revenues	1,745,749	(194,945)	210,694	1,761,498
Segment expenses	1,004,426	130,227	607,214	1,741,867

	2010			
	Middle East	USA	Europe	Total
Segment revenues	87,489	(63,433)	789,815	813,871
Segment expenses	2,412,841	241,912	10,906	2,665,659

21. Prior years adjustments

21.1 During year 2008, the Parent Company had defaulted on the orderly repayment of instalments of its loans due to a local bank due to the financial crisis and the consequent lack of liquidity. Accordingly, the Parent Company had a legal dispute with the creditor bank. During the periods of the default, the Parent Company recorded the accrued bank interests based on the minimum average interest rate as per the facilities contracts which do not conform with the conditions of these contracts where it determines higher interest rates in case of stopping repayment of instalments. The effect of such error is retroactively adjusted.

Following is the effect of the adjustments on the comparative financial statements:

Increase of the opening balance of the accumulated losses as of 1 January 2010 by 155,925 and increase of the interests accrued in other liabilities item by the same amount.

Increase of losses for the year ended 31 December 2010 by KD 127,975 and increasing the balance of both accrued interest in other liabilities and accumulated losses by the same amount of as 31 December 2010.

21.2 During 2010, there were indicators for possibility of impairment of intangible assets which are represented in the cost of obtaining the right of managing investment portfolios. Those indicators are represented in material decline in cash flows from investment management's activity. These indicators have not been considered while preparing the impairment study of these assets at the end of 2010.

The Group's management revaluated impairment losses taking into consideration the indications mentioned above which resulted in impairment losses of KD 771,557 retroactively and an increase in net losses of KD 771,557 for the year ended 31 December 2010, a decrease in the balance of intangible assets and accumulated losses as of 31 December 2010 by the same amount.

22. Central Bank of Kuwait Instructions

In the normal course of business, the Company has violated some of the CBK's instructions during prior periods which resulted in violation of KD 50 thousand.

During 2011, the Group's management took the necessary procedures not to repeat it, in addition to develop the internal control systems as per the CBK's instructions.