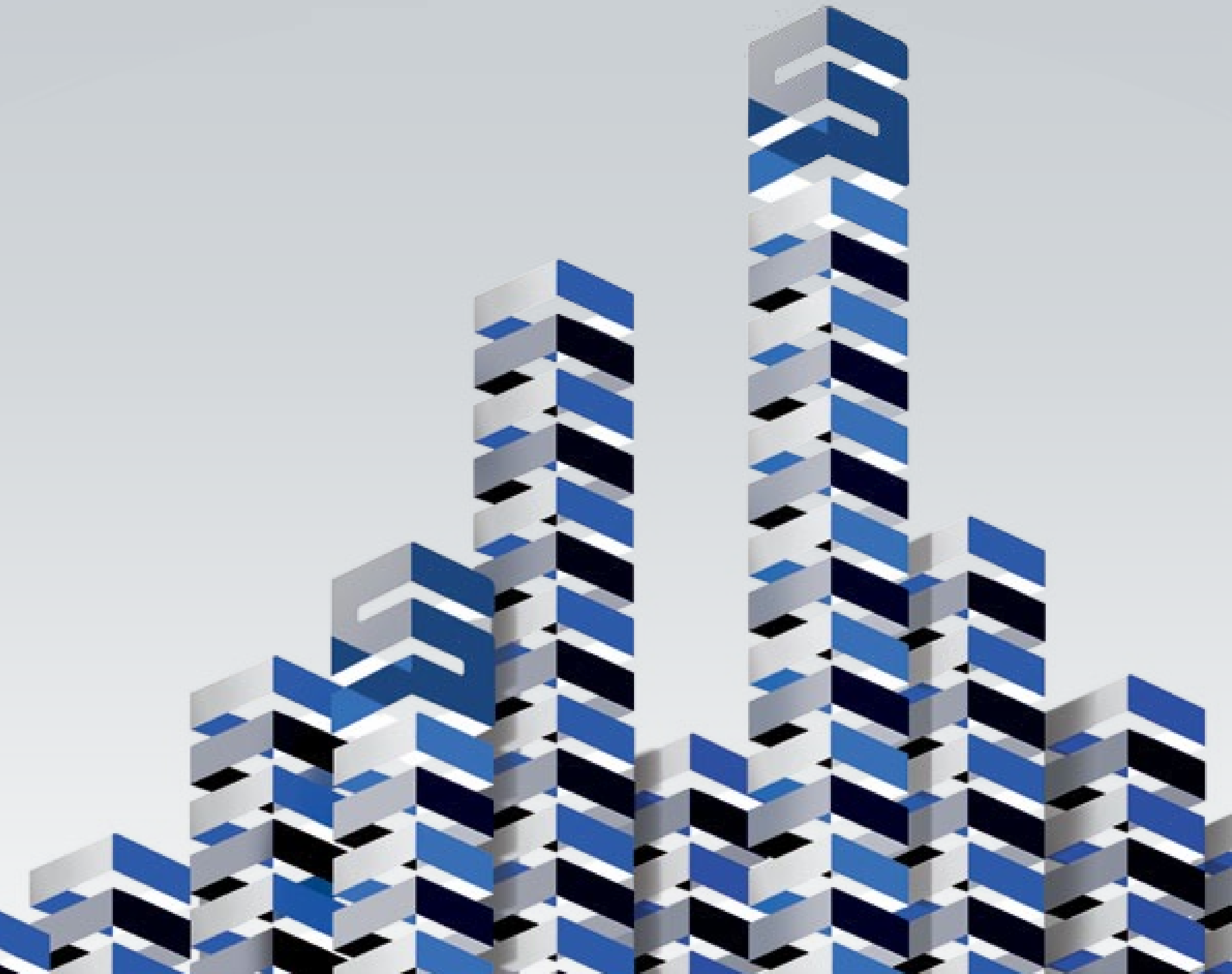
SALHIA

2011 ANNUAL REPORT



H.H Shaikh
Sabah Al-Ahmed Al-Jaber Al Sabah
Amir of State of Kuwait

H.H Shaikh
Nawaf Al-Ahmed Al-Jaber Al Sabah
Crown Prince

H.H Shaikh
Jaber Al-Mubarak Al-Hamad Al-Sabah
Prime Minister

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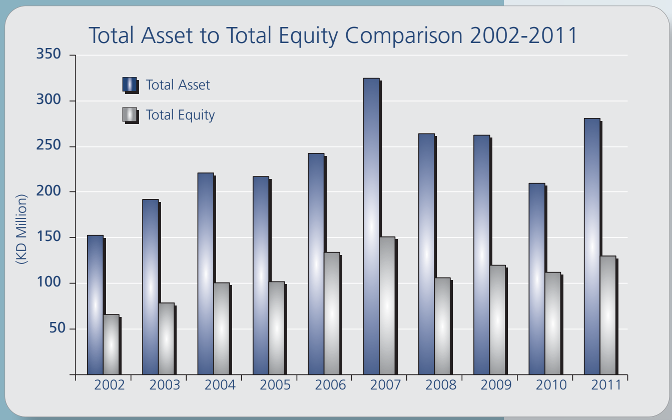
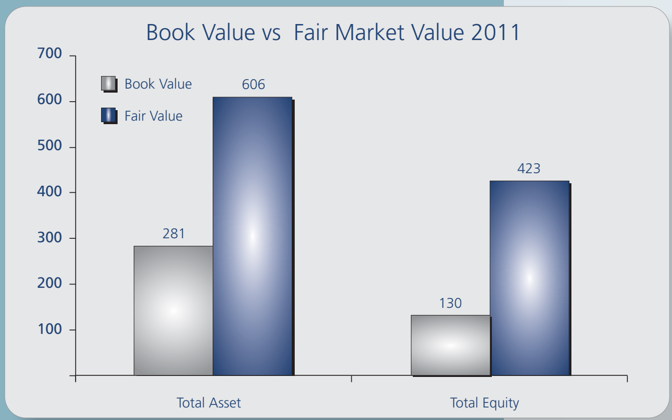
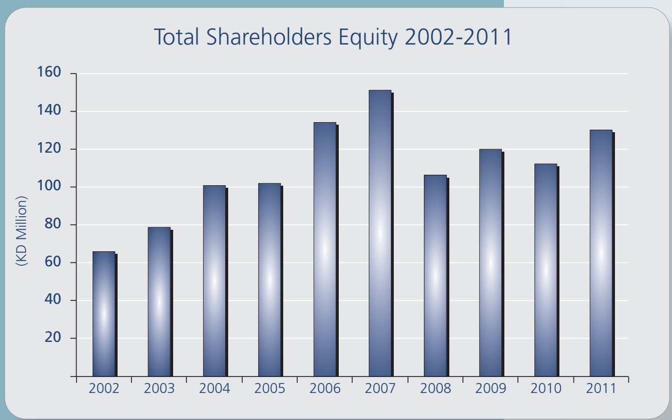




- The fair value for the company total assets as evaluated by independent professional evaluators in the GCC&Europe 606/M KD (281/M KD Book value)
- Total fair market value for the company shareholders equity estimated to be 423/M (130/M KD Book value)



BOARD
MEMEBERS

GHAZI FAHAD ALNAFISI
Chairman and Managing Director

FAISAL ABDUL MOHSEN AL-KHATRASH
Vice Chairman

ANWAR ABDULAZIZ AL-USAIMI
Deputy Managing Director

AHMAD FAISAL AL-ZABIN
Board Member

YOUSSEF ESSA AL-OTHMAN
Board Member

ABDULRAHMAN ABDULAZIZ AL-BABTAIN
Board Member

ABDULAZIZ GHAZI ALNAFISI
Board Member

MARZOUK FAJHAN AL-MUTAIRI
Board Member

EXECUTIVE
MANAGEMENT

GHAZI FAHAD ALNAFISI
Chairman & Managing Director

ANWAR ABDULAZIZ AL-USAIMI
Deputy Managing Director

ABDULAZIZ GHAZI ALNAFISI
Investment Group Head

HANY A. ABDELNOUR
Finance , Accounting & HR Group Head

NASSER BADER AL-GHANIM
Group Investment Manager

ENG. KIFAH GEORGES
Group Construction Manager

ABDULNASSER BADER AL-TURKAIT
Group Information Technology Manager

MOHAMMAD KHALIL AL-MUSAIBEEH
Group Accounting Manager

ENG. BADER KHALIFAH AL-ADSANI
Group Property Manager

ALI JASSIM ABUL
Group Human Resources & Administration Deputy Manager

CHAIRMAN'S STATEMENT

Dear Shareholders

It gives me the great pleasure to present to you, on behalf of the Board of Directors, the annual report and the closing accounts of Salhia Real Estate Company for the year ended December 31, 2011.

The year 2011 witnessed many positive developments for the company's activity, despite the somber domestic economic atmosphere, during the year, Salhia Real Estate company successfully managed to raise its capital by 20% . This capital increase allowed the company to buy 50% of Al-Asima and thus be a wholly owned subsidiary. Moreover, the company has converted all its short term borrowings to long term loans, which will benefit the company by extending its debt maturities and reduce the cost of lending and by complying with Islamic Share'ah. As a result the Islamic facilities long term credit amounted K.D. 79.2 million.

As a summary of the financial performance for year 2011, the company has realized a profit amounting to K.D. 7.1 million which represents a profit of 15.5 Fils per share.

The company's total assets amounted to K.D. 280 million as compared with K.D. 209 million for 2010 that is a 34% increase. The reasons for this increase is due to the acquisition of Al-Asima Real Estate company shareholder's and consolidating its accounts within Salhia's financial statement.

Further, due to extending the maturities of the loans, coupled with the acquisition of Al-Asima Real Estate Company; net long term debt increased from K.D. 83 million to K.D. 150 million, an increase of 81% .

The shareholder's equity increased from K.D. 111 million to K.D. 130 million, a 16% increase, the reason for this increase is mainly due to the capital increasing.

Moreover, and due to the reasons mentioned previously, book value per share dropped from 275 fils to 263 fils.

The company's revenues remained relatively stable, generating K.D. 43.8 million. Revenues in 2010 amounted to K.D. 42.9 million.

Finally, the company appointed independent surveyors to value the company's assets. The result was that net asset value as of the end of 2011 amounted to K.D. 606 million and owners' equity of K.D. 423 million, thus increasing the fair market net asset value per share to 855 fils.

Honorable Shareholders,

In conclusion, I would like to express my appreciation and gratitude to all Shareholders of Salhia, its Board of Directors and employees in all departments for their efforts and support to achieve the aspired success of the company. Praying to Allah to continue His blessings on us all and preserve our beloved country under the leadership of His Highness Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, the Amir of Kuwait, the Crown Prince His Highness Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah and the Prime Minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah and his judicious government.

Ghazi Fahad Alnafisi
Chairman & Managing Director
Salhia Real Estate Company

REPORT
OF THE BOARD
OF DIRECTORS

LOCAL INVESTMENTS

Salhia Commercial Complex

Since its establishment in 1978, Salhia Commercial Complex retains its position as one of Kuwait's shopping and office complex. Its three floors that parade a wide selection of international famous brands, Cafés and Restaurants, the upper floors of luxury offices along with its continues modernization and enhancement program, all contributed to maintaining its primary position signaling 100% occupancy rate for eighteen consecutive years .

Salhia Plaza

Located near Salhia Commercial Complex – on the roof of the recent car park extension – Salhia Plaza is an elegant landscaped courtyard fringed with cafés, restaurants, gardens incorporating a fountain, and recreational facilities. Since completion in 2007, the Plaza quickly became an attraction for visitors.

Sahab Tower

Sahab Tower, a 20-storey office tower with 3 floors of retail space continues to be one of the most prominent developments in Kuwait City. Due to its central location and the many benefits arising from the neighboring facilities, Sahab Tower has yielded a continuous 100 percent occupancy rate for the thirteenth consecutive year.

JW Marriott Hotel

Located in the heart of Kuwait City, the JW Marriott Kuwait City is a haven of five star luxury and elegance. A hotel of choice for business travelers and government officials, the 313 room property comprises 73 suites, an executive level with a private lounge and library and 5 dedicated floors for business travelers. The hotel also includes two massive multi-purpose ballrooms for celebrations and conferences and a total of 1,560 m^2 of meeting space. During 2011, Al Thuraya ballroom was renovated to feature a new look and offer enhanced facilities for social events and conferences. The internet facilities at the property also received an extensive boost with the introduction of wireless internet in all guest rooms and public areas. The speed of the internet bandwidth was also upgraded to 24 MB, which is 300 times faster than the previous speed.

The hotel is home to some of the country's finest restaurants. Two massive multi-purpose ballrooms for celebrations and conferences and a total of 1,560 m^2 of meeting space cements the JW Marriott Kuwait's position as the hotel of choice for prominent businessmen and guests, Al Thuraya ballroom was renovated in the third quarter of 2011 to feature a new look and offer enhanced facilities for social events and conferences.

Apart from fresh menu choices offered regularly at the La Brasserie international restaurant, Kei Japanese restaurant, the Terrace Grill steakhouse and the popular Tea Lounge, the Café Royal restaurant located in the heart of Salhia complex recently featured a complete renovation, and it remains the premier destination of choice for dining in a casual atmosphere.

Arraya Commercial Centre

Arraya Commercial Centre continues to be a primary attraction for visitors. The 3 floors is tenanted by an extensive range of retail, fashion, cafes and restaurants. Located in the Eastern part of Kuwait City, it includes a 31-storey office tower, conference and events venue, Plaza and the Courtyard Marriott Hotel. The project serviced by a 1,400 vehicle multi-storey car park.

During 2011, new international brands opened. Several highlights of the year were the holding of new various social, cultural and community events that served and attracted many visitors to the centre.

Arraya Plaza

Arraya Commercial Centre also incorporates an outdoor plaza area at its center covered with urbane tensile fabric shading. The plaza is paved with deluxe granite and includes innovative lighting techniques and provides a 3,000 m^2 venue for restaurants, cafes and events.

Arraya Tower

At 300 meters high, the 60-storey Arraya Tower is serviced by 16 elevators incorporating the latest information technology systems, along with luxurious architectural finishes. The top of the tower is topped by a telecommunications mast to serve the tenants tower with highest services. Arraya Tower consists of a column free office layouts, with areas ranging from 250 m^2 to 740 m^2.

Activity continued during 2011 of leasing for the few remaining office space to local and international companies, with total occupancy rate reaching 85%.

Courtyard Marriott Hotel

The Courtyard Marriott Hotel Kuwait City is a modern and dynamic business hotel in the heart of the city's business and financial district. Attached to the magnificent Arraya shopping mall, the 264 room property is a landmark in Kuwait City's skyline and a destination of choice for the discerning business traveler seeking world-class facilities. Six elegantly appointed meeting rooms with state-of-the-art-technology ensure that all the business needs of guests are met with ease. This year also saw the addition of LCD televisions in all rooms. The internet facilities at the property also received an extensive boost with the introduction of wireless internet in all guest rooms and public areas. The speed of the internet bandwidth was also upgraded to 20 MB, which is 300 times faster than the previous speed.

2011 saw the opening of the Soul & Spice Indian restaurant, now a popular fine dining option of choice for the well-travelled gourmet.

The premier Atrium Restaurant offering all-day buffet dining, the Tiramisu Café with its much-celebrated choice of light snacks and beverages, and the Atrium Lounge with its relaxing ambience – the Courtyard by Marriott offers an unmatched choice of variety for the country's elite. The wall paper of the entire hotel's corridors went through renovation in the third quarter of 2011.

Arraya ballroom

One of the largest ballrooms in Kuwait, the Arraya Ballroom is managed by Marriott International and provides unparalleled meeting, event services and facilities. With its own access driveway, state of the art facilities, parking for over 1,000 vehicles and world-class banquet offerings, the 1,500 m^2 ballroom - dividable into six massive sub sections of various customized sizes - is the premier ballroom of choice in Kuwait. The ballroom underwent a soft renovation in 2011 that involved a complete refurbishment of the facilities so as to provide an even enhanced level of Arabic hospitality and service.

Al-Asima Project

Amongst the key events that accompanied Al-Asima project during 2011, was reaching to an almost certain belief that obtaining the necessary approvals to execute the State Properties contract is elusive. While these approvals would have allowed Salhia Real Estate Company and later Al-Asima Real Estate Company to commence execution of the most important and largest real estate projects the private sector had ever done in the city of Kuwait.

With an estimated total cost of K.D 240 million, Al –Asima project will contribute towards enriching the Kuwaiti economy and attracting foreign investments. However, being unable to obtain the State properties contract, that was between Salhia Real Estate Company and Al-Asima Real Estate Company executed on 14th November, 2006 under the title "Sale & Relinquishment of leased Spaces" which entails to that in addition to selling the property known as " Al-Asima " from Salhia Real Estate Company to Al-Asima Real Estate Company, not to utilize the lease contract related to the car parking with the Ministry of Finance. The reasons for non-realizing this demand are beyond the control of Salhia Real Estate Company. Despite its importance and the continuous efforts exerted towards its development, the project was exposed to several barriers due to the conflicting viewpoint with the competent governmental authorities and the contract was not obtained to this date.

Since Salhia Real Estate Company is one of the founders of Al-Asima Real Estate Company and due to its transparent policy, Salhia does not expect a way to achieve the car parking contract in the near future. The company together with all the founders of Al-Asima Real Estate Company have submitted a request to purchase all the shares of Al-Asima Real Estate Company from those who would like to sell at 100 fils per share.

The period from 10th April, 2011 till 12th May, 2011 was fixed to conclude the buying process, and at the closing of the buying, Salhia Real Estate Company had managed to acquire 99.7% of the total shares of Al-Asima Real Estate Company.

Moreover, Salhia Real Estate Company will work diligently to find the best ways and means to revive this project.

Local Investments – Non Real Estate

With regards to Salhia's non-real estate investments, careful analysis was conducted by the management prior to entering into these investments. Strategies are regularly reviewed to ensure the success and its compliance with local and international economic circumstances. In line with these efforts, the company focused on leading shares in local and GCC markets creating a balance between risk and return.

Instability of the economic and political environment is still witnessed and have negatively effected the performance indicator of the Kuwaiti Stock Exchange and the Gulf Markets. The year 2011 was full of negative factors both politically and economically. Therefore, the company systematically divested some of its investments realizing reasonable returns for its shareholders and allowing liquidity to invest in any upcoming opportunities.

Due to Salhia's conservative strategy in implementing the most conservative policy of the latest professional accounting standards, the company recorded provisional losses at the value of K.D. 1,634,606 for these investments.


SALHIA


Al sahab

REPORT
OF THE BOARD
OF DIRECTORS

INTERNATIONAL INVESTMENTS

United Kingdom

KPI Report

The UK Commercial Property market continued to rally slightly in the first half of 2011, reflecting a blend of hope and confidence the UK and that world economies were managing to unravel their financial problems. This energy slowed early in the summer due mainly to concerns about the UK's economy, the Eurozone issues in Greece and Italy and the withdrawal of banks from the lending market during the last quarter of the year.

Prime commercial and residential property, particularly in London, has remained strong with an active market and strong prices. This is driven largely by a 'flight to safety' principle adopted by many overseas investors, with the UK being seen as a continuing safe haven. However, outside of London and particularly in secondary and tertiary markets, banks have been more restricted in their lending, requiring more equity and this has resulted in values declining. Valuers have also become increasingly cautious, particularly where leases are short. This has had a direct downward impact on values.

Refinancing has become a very important aspect of the market with 4 and 5 year loans now coming up for renewal at a time when banks are being very cautious in their renegotiations. A number of banks, with substantial portfolios of 'troubled loans', have been seeking buyers for either the loans or the assets themselves, mainly through the sales of portfolios.

KPI continues to focus on maximizing rental income from the portfolio through careful hands on asset management and profit taking where possible through sales. The company remains sound with an excellent income stream which is being maintained and increased. Opportunities for rental and capital growth throughout the portfolio will continue to be exploited within the current market.

At Farnborough, the key development objective over the next 12 months is to progress the leisure related development within the Kingsmead Shopping Centre. Terms have been agreed with a cinema operator with a start on site expected to commence mid-2012, following planning. New restaurant units will be created and the existing malls and car park will be refurbished.

The plans for the redevelopment of the Elephant & Castle Shopping Centre have moved forward significantly during 2011 with Southwark Council embracing the proposal submitted by KPI to transform the Centre through extensive refurbishment, extension and new development. Projected start on site is likely to be late 2015 enabling resolution of the complexities of planning permission and the delivery of the required public transport infrastructure.

In the lead up to these development works, occupancy levels remain strong and the asset management strategy is proving to be highly successful.

Salhia International Investments Ltd.

BEORMA QUARTER BIRMINGHAM

Salhia Real Estate Company, through a UK subsidiary, Ingleby, now Salhia Investments Birmingham Ltd (SIBL), has acquired a regeneration site of just under 2 acres in the centre of Birmingham, adjacent to the Bullring Shopping Centre and Selfridges.

The site is strategically situated between Birmingham New Street and Moor Street stations and is close to the government approved High Speed Rail 2 (HSR2) London – Birmingham link station. Birmingham City Council have been enthusiastic in encouraging the proposed scheme as it sits adjacent areas designated in their Big City Plan and no lies in one of Birmingham's designated Enterprise Zones which will bring significant benefits to occupiers and the area.

Planning permission has been obtained within 18 months for a major redevelopment of approximately 59,500 m^2 for offices, ancillary retail and a hotel on a partially derelict site. The planning permission established new heights and significant massing on the site.

SIBL will undertake the development in three Phases. Phase 1 is scheduled to commence during 2012 having agreed certain events. These include a contracted position with HSBC and signed documentation on agreed pre-lettings on approximately 60% of the proposed income.

GERMANY

HADDIA HOLDING

Haddia Holding GMBH, 90.89% owned by Salhia Real Estate, through its subsidiary DANA manages a total of 1,580 units in 4 properties for assisted living apartments and 13 nursing homes. All properties are located in north western region of Germany. The properties are owned by SAREC, a fully owned subsidiary of Haddia. The head office is located in Hannover. The group employs around 900 employees. Haddia has been focusing on high quality service and property to provide best living conditions for elderly citizens. During 2011 the first property of Haddia group received the ISO 9001 certification. It is intended that further properties should receive the ISO 9001 certification during 2012 and 2013. Haddia has very high quality standards. This was reflected in a rating in October 2011 which classified Haddia as the third best operator of nursing homes in Germany.

In 2011 Haddia created a joint-venture named "DANA Lifestyle". "DANA Lifestyle" developed a property type that covers all the needs of elderly people with full comfort but at a low budget. Each of these modern properties will consist of 16-18 apartments. The concept is structured to sell these apartments. Haddia plans to start construction in 2012.

Oman

Oman provides a vast virtually untouched resource for urban development. Since 2005 Oman's rising popularity due to tourism, has substantially attributed to the real estate and construction market. Aside from being one of the fastest growing economies in the world one of the main drivers is the Oman 2020 vision. The vision entails a detailed economic plan that claims to diversify the economy away from oil.

The Omani government has paid special attention to the city of Sohar, and placed it in the priorities of the future plan of the Omani economy in 2020. The goal of the Omani government is to make Sohar a business and industrial hub. At the present time, the city of Sohar is developing a master plan which includes the development of a new university campus, and the expansion of an existing one, a 200 KM railway network between Sohar, Barka, and Al Duqm, and a free zone area.

In tandem with this vision, Salhia acquired eleven plots in the city for an approximate total value of K.D. 4,749,309 with a total area of 135,000 m^2. A future increase of these plots value is anticipated once the master plan is finalized.

In 2011, Salhia was successful in changing the use of a 21,614 m^2 plot, situated in Al-Suwaihra at Wilayet Sohar, from agricultural to residential/commercial. The company is currently undertaking best use studies on some of its land holdings.

Information Technology

Salhia's Information Technology team assures to provide quality information technology services and solutions to its users. In 2011, the storage expansion for the email system using MS Exchange 2010 and backup operation was completed.

In line with Salhia's team continuous commitment to enhancing its information technology, Salhia have started to design and create Salhia Commercial Complex website, providing updated and useful information for Salhia Complex visitors sharing Events and Offers details

Human Resources

Salhia Real Estate Company considers the management of human resources amongst the most vital administration functions at the organization. The company ensures that its staff members are equipped with the latest skills and knowledge through participation in reputable and international training programs.
Salhia Real Estate extended the Kuwaitization policy to its human resources, assuring the company's commitment to human investment.

FINANCIAL
HIGHLIGHTS

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C. (CLOSED)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Salhia Real Estate Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2011 and 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 of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

ERNST & YOUNG

Rödl
Middle East
Burgan - International Accountants

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C. (CLOSED) (CONTINUED)

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

Report on other legal and regulatory requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association, 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 of the Parent Company's Articles of Association have occurred during the year ended 31 December 2011 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

ALI A. AL-HASAWI
LICENSE NO.30-A
RÖDL MIDDLE EAST
BURGAN – INTERNATIONAL ACCOUNTANTS

7 March 2012
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2011

	Notes	2011 KD	2010 KD
Revenues		**43,854,456**	42,995,724
Operating costs		**(18,130,433)**	(17,894,944)
Gross profit		**25,724,023**	25,100,780
Share in joint venture's results	8	**1,748,062**	1,163,735
Share of associate's results		**(582,378)**	(1,427,815)
General and administrative expenses		**(3,878,087)**	(4,535,700)
Depreciation	10,11	**(6,241,945)**	(6,238,917)
Sales and marketing expenses		**(758,358)**	(823,324)
Investment income	3	**1,542,106**	8,878,706
Foreign exchange loss		**(8,489)**	(331,031)
Interest income		**45,408**	245,843
Other income		**437,345**	206,328
Impairment loss on financial assets available for sale	7	**(1,894,024)**	(4,157,730)
Impairment loss on investment properties	10	**(1,785,312)**	(2,541,349)
Finance costs		**(6,006,416)**	(4,719,480)
Profit before tax		**8,341,935**	10,820,046
Foreign tax		**(748,504)**	(461,006)
PROFIT BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' FEES		**7,593,431**	10,359,040
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(68,119)**	(97,140)
National Labour Support tax (NLST)		**(187,690)**	(264,435)
Zakat		**(68,119)**	(107,933)
Directors' fees	19	**(120,000)**	(120,000)
PROFIT FOR THE YEAR		**7,149,503**	9,769,532
Attributable to:			
Equity holders of the Parent Company		**7,174,133**	10,203,837
Non-controlling interests		**(24,630)**	(434,305)
		7,149,503	9,76 9,532
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE PARENT COMPANY	4	**15.5 fils**	24.7 fils

The attached notes 1 to 27 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 KD	2010 KD
Profit for the year		**7,149,503**	9,769,532
Other comprehensive income (loss):			
Net movement in cumulative changes in fair value		**(152,211)**	(11,110,556)
Realised gain on sale of financial assets available for sale	3	**(1,041,853)**	(5,240,650)
Impairment loss transferred to consolidated statement of income	7	**1,782,899**	4,157,730
Exchange differences arising on translation of foreign operations		**32,345**	(1,406,880)
Other comprehensive income (loss) for the year		**621,180**	(13,600,356)
Total comprehensive income (loss) for the year		**7,770,683**	(3,830,824)
Attributable to:			
Equity holders of the Parent Company		**7,695,961**	(3,013,610)
Non-controlling interests		**74,722**	(817,214)
		7,770,683	(3,830,824)

The attached notes 1 to 27 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	**2011 KD**	2010 KD
ASSETS			
Cash and cash equivalents	5	**4,517,511**	7,384,622
Fixed deposits		**3,275,925**	-
Inventories		**334,955**	305,110
Accounts receivable and other assets	6	**4,754,484**	6,434,726
Financial assets available for sale	7	**22,975,563**	23,405,050
Interest in joint venture	8	**10,439,964**	10,290,764
Investment properties	10	**143,038,397**	66,078,372
Property and equipment	11	**91,438,106**	95,785,162
TOTAL ASSETS		**280,774,905**	209,683,806
LIABILITIES, DEFERRED GAIN AND EQUITY			
LIABILITIES			
Due to banks and a financial institution	12	**14,609,561**	1,399,085
Accounts payable and other liabilities	13	**15,019,277**	17,304,659
Commercial financing	14	**41,160,589**	44,376,959
Islamic financing	15	**79,250,000**	20,000,000
TOTAL LIABILITIES		**150,039,427**	83,080,703
DEFERRED GAIN	9	**-**	14,354,122
EQUITY			
Share capital	16	**51,272,341**	40,592,531
Share premium		**35,055,163**	27,524,906
Treasury shares	17	**(3,941,495)**	(3,439,031)
Treasury shares reserve	17	**1,817,810**	1,807,235
Statutory reserve	18	**20,489,290**	19,727,484
Voluntary reserve	18	**20,489,290**	19,727,484
Retained earnings		**8,315,941**	9,667,784
Fair value reserve		**(836,753)**	(1,425,588)
Foreign currency translation reserve		**(2,539,533)**	(2,472,526)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**130,122,054**	111,710,279
Non-controlling interests		**613,424**	538,702
TOTAL EQUITY		**130,735,478**	112,248,981
TOTAL LIABILITIES, DEFERRED GAIN AND EQUITY		**280,774,905**	209,683,806

Ghazi Fahad Alnafisi
Chairman and Managing Director

Faisal Abdul Mohsen Al-Khatrash
Vice Chairman

The attached notes 1 to 27 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to equity holders of the Parent Company												
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Employee share options plan reserve KD	Retained earnings KD	Fair value reserve KD	Foreign currency translation reserve KD	Subtotal KD	Non-controlling interests KD	Total equity KD
Balance at 1 January 2011	40,592,531	27,524,906	(3,439,031)	1,807,235	19,727,484	19,727,484	-	-	9,667,784	(1,425,588)	(2,472,526)	111,710,279	538,702	112,248,981
Profit for the year	-	-	-	-	-	-	-	-	7,174,133	-	-	7,174,133	(24,630)	7,149,503
Other comprehensive income	-	-	-	-	-	-	-	-	-	588,835	(67,007)	521,828	99,352	621,180
Total comprehensive income	-	-	-	-	-	-	-	-	7,174,133	588,835	(67,007)	7,695,961	74,722	7,770,683
Increase in capital (Note 16)	10,040,343	7,530,257	-	-	-	-	-	-	-	-	-	17,570,600	-	17,570,600
Purchase of treasury shares	-	-	(630,179)	-	-	-	-	-	-	-	-	(630,179)	-	(630,179)
Sale of treasury shares	-	-	127,715	10,575	-	-	-	-	-	-	-	138,290	-	138,290
Employee share options (Note 20)	-	-	-	-	-	-	-	1,432,409	-	-	-	1,432,409	-	1,432,409
Employee share options exercised (Note 20)	639,467	-	-	-	-	-	-	(1,432,409)	792,942	-	-	-	-	-
Dividends (Note 19)	-	-	-	-	-	-	-	-	(7,795,306)	-	-	(7,795,306)	-	(7,795,306)
Transfer to reserves	-	-	-	-	761,806	761,806	-	-	(1,523,612)	-	-	-	-	-
Balance at 31 December 2011	**51,272,341**	**35,055,163**	**(3,941,495)**	**1,817,810**	**20,489,290**	**20,489,290**	**-**	**-**	**8,315,941**	**(836,753)**	**(2,539,533)**	**130,122,054**	**613,424**	**130,735,478**
Balance at 1 January 2010	39,922,126	27,524,906	(2,428,530)	1,807,235	18,648,149	18,648,149	4,250,000	-	2,282,984	10,767,888	(1,448,555)	119,974,352	1,355,916	121,330,268
Profit for the year	-	-	-	-	-	-	-	-	10,203,837	-	-	10,203,837	(434,305)	9,769,532
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(12,193,476)	(1,023,971)	(13,217,447)	(382,909)	(13,600,356)
Total comprehensive loss	-	-	-	-	-	-	-	-	10,203,837	(12,193,476)	(1,023,971)	(3,013,610)	(817,214)	(3,830,824)
Purchase of treasury shares	-	-	(1,010,501)	-	-	-	-	-	-	-	-	(1,010,501)	-	(1,010,501)
Employees share options (Note 20)	-	-	-	-	-	-	-	1,582,156	-	-	-	1,582,156	-	1,582,156
Employee share options exercised (Note 20)	670,405	-	-	-	-	-	-	(1,582,156)	911,751	-	-	-	-	-
Dividends (Note 19)	-	-	-	-	-	-	-	-	(5,822,118)	-	-	(5,822,118)	-	(5,822,118)
Transfer to reserve	-	-	-	-	1,079,335	1,079,335	-	-	(2,158,670)	-	-	-	-	-
Transfer from reserve (Note 18)	-	-	-	-	-	-	(4,250,000)	-	4,250,000	-	-	-	-	-
Balance at 31 December 2010	40,592,531	27,524,906	(3,439,031)	1,807,235	19,727,484	19,727,484	-	-	9,667,784	(1,425,588)	(2,472,526)	111,710,279	538,702	112,248,981

The attached notes 1 to 27 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' fees		**7,593,431**	10,359,040
Adjustments for:			
Share in joint venture's results, net of related tax	8	**(1,227,798)**	(879,175)
Share in associate's results		**582,378**	1,427,815
Depreciation	10,11	**6,241,945**	6,238,917
Provision for employees' terminal benefits		**494,671**	630,200
Investment income	3	**(1,542,106)**	(8,878,706)
Gain on sale of properties		**-**	(5,296)
Foreign exchange loss		**8,489**	331,031
Interest income		**(45,408)**	(245,843)
Finance costs		**6,006,416**	4,719,480
Impairment loss on financial assets available for sale	7	**1,894,024**	4,157,730
Impairment loss on investment properties	10	**1,785,312**	2,541,349
		21,791,354	20,396,542
Changes in operating assets and liabilities			
Inventories		**(29,845)**	31,770
Accounts receivable and other assets		**1,707,017**	3,192,848
Accounts payable and other liabilities		**(3,695,149)**	13,111
Cash from operations		**19,773,377**	23,634,271
Employees' terminal benefits paid		**(175,544)**	(429,118)
KFAS paid		**(97,140)**	(35,015)
National Labour Support Tax paid		**(269,462)**	(202,295)
Zakat paid		**(104,814)**	(76,514)
Directors' fees paid		**(120,000)**	(135,000)
Net cash from operating activities		**19,006,417**	22,756,329
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash outflow	9	**(41,765,952)**	-
Purchase of financial assets available for sale		**(2,334,312)**	(3,488,367)
Proceeds from sale of financial assets available for sale		**2,500,463**	32,770,845
Additions to investment properties and property and equipment	10,11	**(1,758,174)**	(3,334,140)
Proceeds from sale of investment properties and property and equipment		**98,746**	70,818
Investment income received		**500,253**	3,638,056
Dividends received from joint venture	8	**872,000**	-
Interest income received		**53,999**	245,843
Term deposits		**(3,275,925)**	-
Net cash (used in) from investing activities		**(45,108,902)**	29,903,055
FINANCING ACTIVITIES			
Issue of share capital		**17,570,600**	-
Proceeds from issue of shares under employee share options plan		**639,467**	670,405
Purchase of treasury shares		**(630,179)**	(1,010,501)
Proceed from sale of treasury shares		**138,290**	-
Proceeds from commercial and Islamic financings obtained		**25,000,000**	21,491,428
Commercial and Islamic financings repaid		**(18,921,354)**	(31,651,116)
Due from a financial institution received (repaid)		**166,624**	(12,447,713)
Finance costs paid		**(5,976,704)**	(4,718,281)
Dividends paid		**(7,795,306)**	(5,744,543)
Net cash from (used in) financing activities		**10,191,438**	(33,410,321)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(15,911,047)**	19,249,063
Cash and cash equivalents at the beginning of the year		**6,240,099**	(13,008,964)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**(9,670,948)**	6,240,099

The attached notes 1 to 27 form part of these consolidated financial statements

1 CORPORATE INFORMATION

The consolidated financial statements of Salhia Real Estate Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 7 March 2012. The general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Group comprises Salhia Real Estate Company K.S.C. (Closed) and its subsidiaries listed in Note 21.

The Parent Company is a Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Kuwait Stock Exchange. The Group's main activities comprise real estate leasing and development of commercial properties and hotel operations in Kuwait and care home operation in Germany. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

The Parent Company's registered address is Salhia Complex, Mohammed Thunayan Al-Ghanim, P.O. Box 23413 Safat 13095 Kuwait.

2.1 BASIS OF PREPARATION

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

Basis of preparation
The consolidated financial statements are prepared under the historical cost convention as modified for the revaluation at fair value of financial assets available for sale.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company for the year ended 31 December 2011 and the financial statements of its subsidiaries prepared to a date not earlier than three months of the Parent Company's year end as disclosed in Note 21.

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. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances and transactions, including intra-group profits and unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full on consolidation. Adjustments are made for non-uniform accounting policies.

Non-controlling interests represent the net assets (excluding goodwill) of consolidated subsidiaries not attributable directly, or indirectly, to the equity holders of the Parent Company. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

2.2 BASIS OF CONSOLIDATION (continued)

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

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

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the adoption of the following new and amended IASB Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations during the year:

- IAS 24: Related party disclosures
- IAS 32: Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
- IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvement to IFRSs (issued in May 2010)

IAS 24: Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32: Financial Instruments: Presentation – Classification of Rights Issues (Amendment) (effective for annual periods beginning on or after 1 February 2010)
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have such types of instruments.

IFRIC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (Instruments effective 1 July 2010).
The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The amendment of the interpretation has had no effect on the financial position or the performance of the Group.

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

Improvement to IFRSs (issued in May 2010)
The IASB issued its third omnibus of amendments to its standards in May 2010, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 34 *Interim Financial Statements*
- IFRIC 13 *Customer Loyalty Programmes*

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised IASB Standards, IFRSs and IFRIC Interpretations issued, but not yet adopted
Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

- IFRS 9: Financial Instruments: Classification and Measurement
- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement

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 as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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 (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities
The standard becomes effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB Standards, IFRSs and IFRIC Interpretations issued, but not yet adopted

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

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Adoption of other IASB Standards and IFRIC Interpretations will not have material effect on the financial performance, position or the consolidated financial statements of the Group. Additional disclosures will be made in the consolidated financial statements when these Standards and Interpretations become effective.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
- Rental income is recognised on a straight-line basis over the lease term.
- Interest income is recognized as it accrues using the effective interest rate method (“EIR”).
- Hotel and care home income represents the invoiced value of services provided during the year.
- Dividend income is recognized when the Group’s right to receive payment is established.
- Gain on sale of property is recognized when the sale has been consummated and the contracts have been signed, the significant risks and rewards of ownership have passed to the buyers and the Group has no continuing involvement in the property.
- Gain on sale of investments is recognized on a trade date basis.

Finance costs
Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

The finance cost capitalized is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalized is the gross finance cost incurred on those borrowing less any investment income arising on their temporary investment. Finance cost is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalized in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the year (net of accumulated losses brought) after accounting for the transfer to statutory reserve.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

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

Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Business combinations and goodwill
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 acquired. For each business combination, the acquirer measures the non controlling interest in the acquire either at fair value or at the proportionate share of the acquirer'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 acquirer.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is re-measured to fair value as at the acquisition date through the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in consolidated statement of income or as other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised over for non-controlling interest over the 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 acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property acquisitions and business combinations
Where property is acquired through the acquisition of corporate interests, management of the Parent Company considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgment is included in significant accounting judgments, estimates and assumptions disclosures.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, corporate acquisitions are accounted for as business combinations.

Cash and cash equivalents
For purpose of the consolidated statement of cash flows, cash and cash equivalents are short-term, highly liquid investments including short-term fixed deposits that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value, net of due to banks contractually due within three months.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets
Initial recognition and measurement
Financial assets within scope of IAS 39 are classified as financial assets at fair value through statement of income, loans and receivables, held-to-maturity investments or financial assets available for sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through statement of income, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and bank balances, fixed deposits, receivables and financial assets available for sale.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any. Losses arising from impairment are recognised in the consolidated statement of income.

Financial assets available for sale
Financial assets available for sale include equity securities. Equity securities classified as available for sale are those, which neither classified as held for trading nor designated at fair value through statement of income. Investments in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the fair value reserve and recognised in the consolidated statement of income. Investments whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Derecognition
A financial asset (or, where applicable, a part of financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive the cash flows from the asset have expired;
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(ii) Impairment and uncollectibility of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available-for-sale
For financial asset available for sale, the Group assesses at each financial position date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investment classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(iii) Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through statement of income and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, directly attributable transactions costs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iii) Financial liabilities (continued)

The Group's financial liabilities include accounts payable, certain other liabilities, commercial financing, Islamic financing and due to banks and a financial institution. At 31 December 2011, the Group did not have any financial liabilities at fair value through statement of income.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Commercial financing

After initial recognition, interest bearing commercial financing is subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Islamic financing

Islamic financing represents Murabaha and Wakala financing taken under Murabaha and Wakala arrangements. Islamic financing is stated at the gross amount of the payable, net of deferred cost payable. Deferred cost payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

(iv) Offsetting of financial instruments

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

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Fair value of financial instruments

For financial instruments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Fair values (continued)

Financial instruments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Amortised cost

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

Impairment of non-financial assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. After such reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories of food and beverages are valued at the lower of cost and net realizable value after making due allowance for any expired or slow-moving items. Cost is determined by the first-in, first-out method.

Net realizable value is based on estimated selling price less any further costs expected to be incurred on sale.

Inventories of operating supplies are valued at cost less due allowance for any obsolete or slow-moving items. Cost is determined on a weighted average basis.

Interest in joint venture

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Under the equity method, the interest in joint venture is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated statement of income its share of the results of the joint venture from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the joint venture arising from changes in the joint venture's equity. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The joint venture's financial statements are prepared to the Parent Company's reporting date or to a date not earlier or later than three months of the Parent Company's reporting date. Where practicable, appropriate adjustments for non-uniform accounting policies are made to the joint venture's financial statements to bring them in line with the Group's accounting policies.

Investment in associate
An associate is an entity over which the Group exerts significant influence. Investment in associate is accounted for under the equity method of accounting.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group recognises in the consolidated statement of income its share of the results of the associate from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

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

The associate's financial statements are prepared to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date using consistent accounting policies. Where practicable, appropriate adjustments are made to bring the accounting policies is in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises 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 recognised in consolidated statement of income.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at depreciated cost less provision for impairment. Buildings are depreciated using the straight line method over their estimated useful lives which vary between 10 to 50 years.

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, properties are written down to their recoverable amount.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Properties under construction
Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is provided on a straight line basis at rates calculated to write-off the cost of each asset over its expected useful life as follows:

- Buildings and related immovable equipment 10 to 50 years
- Furniture and equipment 10 years
- Motor vehicles 5 years

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, assets are written down to their recoverable amount.

The useful economic lives of property and equipment are reviewed at each financial year and revised for significant change where necessary.

Capital work in progress
Capital work in progress is carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. Once completed, the asset is transferred to the respective assets class.

The carrying values of capital work in progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Treasury shares
The Parent Company's own shares are accounted for as treasury shares and are stated at purchase consideration including directly attributable costs. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions
The Group operates an equity-settled, share-based employee share options plan (ESOP). Under the terms of the plan, share options are granted to eligible employees and are exercisable at the end of the vesting period. The fair value of the options is recognized as an expense over the vesting period with a corresponding effect in equity. The fair value of the options is determined using the Black-Scholes option pricing model.

The proceeds received from the exercise of the share options are credited to share capital (nominal value) and share premium when the options are exercised.

Provisions
A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) 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 each reporting date 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 incurred to settle the obligation.

Contingencies
Contingent liabilities are not recognized on the consolidated statement of financial position. They are disclosed in the consolidated financial statement unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are included within foreign currency gain or loss in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates and joint venture investments, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Business combinations
The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in IAS 40 about ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Classification of real estate
Management of the Group decides on acquisition of a developed and under development property whether it should be classified as trading, investment property or properties and equipment.

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

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

The Group classifies property as property and equipment when it is acquired for owner occupation.

Classification of equity investments
All investments are classified as available for sale.

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

Impairment of receivables
An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

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

Valuation of unquoted equity instruments
Valuation of unquoted equity instruments is normally based on one of the following:
- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- An earnings multiple or industry specific earnings multiple;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates and assumptions (continued)
The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment (see note 7).

3 INVESTMENT INCOME

	2011 KD	*2010 KD*
Gain on sale of financial assets available for sale	**1,041,853**	5,240,650
Dividend income	**500,253**	910,776
Interest income from managed portfolio	**-**	2,727,280
	1,542,106	8,878,706

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITYHOLDERS OF THE PARENT COMPANY

Basic:
Basic earnings per share attributable to equity holders of the Parent Company is computed by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

Diluted:
Diluted earnings per share attributable to the equity holders of the Parent Company is computed by dividing the profit for the year attributable to the equity holders of the Parent Company, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the employee share option plan as at 31 December 2011.

	2011	*2010*
Profit for the year attributable to equity holders of the Parent Company (KD)	**7,174,133**	10,203,837
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	**463,269,769**	412,511,466
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**15.5 fils**	24.7 fils

Basic and diluted earnings per share were 26.1 fils for the year ended 31 December 2010, before retroactive adjustments to the number of shares following the issuance of shares for the employee share options plan (Note 20).

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows include the following:

	2011 KD	2010 KD
Cash and bank balances	**4,255,114**	4,645,101
Fixed deposits (maturing within three months)	**262,397**	2,739,521
Cash and cash equivalents as per consolidated statement of financial position	**4,517,511**	7,384,622
Due to banks contractually due within three months (Note 12)	**(14,188,459)**	(1,144,523)
Cash and cash equivalents as per the consolidated statement of cash flows	**(9,670,948)**	6,240,099

Bank balances represent non-interest bearing current bank accounts held with local commercial banks.

Short-term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

6 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2011 KD	2010 KD
Hotel guests and care home residents receivables	**1,127,447**	1,506,908
Rent receivable	**408,079**	325,101
Due from related parties (Note 22)	**-**	1,635,975
Staff receivables (Note 22)	**804,005**	702,470
Deposits and prepaid expenses	**417,967**	488,094
Advance payments to contractors	**118,113**	143,566
Other receivables	**1,878,873**	1,632,612
	4,754,484	6,434,726

As at 31 December 2011 and 31 December 2010, the Group did not have significant receivables that were impaired.

Hotel guests and care home residents receivables and rent receivable are non-interest yielding and are generally on 30-90 days terms.

Movement in the impairment of hotel guests and rent receivable is as follows:

	2011 KD	2010 KD
At 1 January	**221,260**	236,643
Charge of impairment for the year	**26,943**	20,279
Impairment written off	**-**	(35,662)
At 31 December	**248,203**	221,260

6 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

As at 31 December, the analysis of hotel guests and care home residents receivables and rent receivable that were past due but not impaired is as follows:

		Past due but not impaired					
	Neither past due nor impaired	*< 30 days*	*30 to 60 days*	*60 to 90 days*	*90 to 120 days*	*> 120 days*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
2011	**150,305**	**694,969**	**171,434**	**121,821**	**28,625**	**368,372**	**1,535,526**
2010	141,269	983,221	271,169	96,669	38,966	300,715	1,832,009

Hotel guests and care home residents receivables and rent receivable include amounts denominated in the following major currencies:

	2011	*2010*
	KD	*KD*
Kuwaiti Dinar	**1,296,591**	1,626,853
EURO	**229,529**	205,156
GBP	**9,406**	-
	1,535,526	1,832,009

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	2011	*2010*
	KD	*KD*
Managed portfolios	**7,309,804**	8,672,381
Managed funds	**471,956**	543,904
Unquoted securities	**15,193,803**	14,188,765
	22,975,563	23,405,050

	2011	*2010*
	KD	*KD*
Local investments	**7,563,298**	8,409,308
Foreign investments	**15,412,265**	14,995,742
	22,975,563	23,405,050

Managed portfolios represent local and foreign equity investments and are carried at market bid prices and fair values as reported by the portfolio managers. During the year, the Parent Company recorded an impairment loss of KD 1,530,255 and KD 202,542 (2010: KD 1,497,519 and KD 62,528) against local and foreign equity investments respectively.

Managed portfolios include an investments portfolio with a carrying value of KD 880,165 (2010: KD 1,075,245) managed by a foreign financial institution which was partly funded by a short-term facility amounting to KD 421,102 (2010: KD 254,562) obtained through the same foreign financial institution. The facility is secured by the investments portfolio (Note 12).

7 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

Investments in managed funds are carried at the latest net asset value provided by the fund managers.

Unquoted securities amounting to KD 8,017,502 (2010: KD 8,579,282) are carried at cost less impairment since fair values cannot be reliably estimated and the investment managers have been unable to indicate any estimates of the range within which fair values might lie. The management recorded an impairment loss of KD 111,126 (2010: KD 1,658,484) against these investments based on the most recently available information to them.

Unquoted securities include an investment with a carrying value of KD 7,176,301 (2010: KD 5,609,483) measured at fair value determined by a valuation technique. During the year, the Group recorded a revaluation loss of KD Nil (2010: KD 4,935,405) in other comprehensive income and recorded an impairment loss of KD 50,101 (2010: KD 939,199) in consolidated statement of income.

Determination of fair value and fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial assets available for sale by valuation technique:

Level 1: quoted (unadjusted) prices in active markets;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

31 December 2011	***Level 1 KD***	***Level 2 KD***	***Level 3 KD***	***Total KD***
Managed portfolios	**7,309,804**	**-**	**-**	**7,309,804**
Managed funds	**-**	**471,956**	**-**	**471,956**
Unquoted securities	**-**	**-**	**7,176,301**	**7,176,301**
	7,309,804	**471,956**	**7,176,301**	**14,958,061**

31 December 2010	*Level 1 KD*	*Level 2 KD*	*Level 3 KD*	*Total KD*
Managed portfolios	8,672,381	-	-	8,672,381
Managed funds	-	543,904	-	543,904
Unquoted securities	-	-	5,609,483	5,609,483
	8,672,381	543,904	5,609,483	14,825,768

During the year ended 31 December 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

8 INTEREST IN JOINT VENTURE

This represents the Group's 50% (2010: 50%) interest in a United Kingdom based joint venture entity, Key Property Investments, engaged in real estate leasing and development.

	2011 KD	2010 KD
Carrying amount of the investment in the joint venture:		
At 1 January	**10,290,764**	9,040,006
Share in the joint venture's results	**1,748,062**	1,163,735
Share in the joint venture's tax	**(520,264)**	(284,560)
Dividend received	**(872,000)**	-
Foreign currency translation adjustment	**(206,598)**	371,583
At 31 December	**10,439,964**	10,290,764
Share of joint venture entity's statement of financial position:		
Current assets	**2,731,032**	3,621,634
Long-term assets	**42,576,165**	42,182,267
Current liabilities	**(2,757,733)**	(3,031,137)
Long-term liabilities	**(32,109,500)**	(32,482,000)
Net assets	**10,439,964**	10,290,764
Share of joint venture entity's revenue and results:		
Revenues	**5,403,051**	7,018,353
Results after tax	**1,227,798**	879,175

9 ASSET ACQUISITION

On 1 June 2011, the Group acquired an additional 46.39% interest in Al Asima Real Estate Company K.S.C ("Al Asima") for the consideration paid of KD 37,108,452, increasing its ownership interest to 96.36%.

Since the acquisition did not constitute an acquisition of business as defined in IFRS 3 "Business Combinations", the transaction has been accounted for as an asset acquisition. Since an asset acquisition does not give rise to goodwill, the difference between the carrying value of the net assets acquired and the purchase consideration has been allocated to the carrying value of the investment property in Al Asima.

During the year 2006, the Parent Company sold a real estate asset with a carrying value of KD 16,536,771 to Al Asima associate resulting in a gain of KD 98,113,228 of which the Parent Company recorded KD 49,056,614 after eliminating the share of the gain attributable to its interest in the associate's equity. The excess of the gain over the carrying value of the associate was accounted for as deferred gain in prior periods. Following the acquisition on 1 June 2011, the elimination of the gain on sale of real estate asset of KD 49,056,614 was adjusted against the value of the acquired investment property.

9 ASSET ACQUISITION (continued)

Details of assets and liabilities acquired at the date of acquisition are as follows:

Assets	KD
Other assets	35,366
Investment property	123,392,378
	123,427,744
Liabilities	
Bank overdraft	1,978,650
Accounts payable and other liabilities	2,208,866
Commercial financing	51,000,000
	55,187,516
Net assets acquired	68,240,228
Share of net assets acquired	31,656,641
Consideration paid	37,108,452
Difference between the carrying value of net assets of Al Asima and the purchase consideration allocated to the investment property	5,451,811

	KD
Deferred gain as of 1 January 2011	(14,936,500)
Deferred gain adjusted against acquired investment property	49,056,614
Transferred to investment in subsidiary	(34,120,114)
Deferred gain as of 31 December 2011	-

During the three months period ended 30 September 2011, the Group acquired additional interest in Al Asima of 3.37% increasing its ownership interest to 99.73% for a total consideration paid of KD 2,678,850. Accordingly, the additional interest acquired has increased the carrying value of the investment property by KD 398,942.

Accordingly, the carrying value of the investment property acquired is as follows:

	KD
Investment property in Al Asima	123,392,378
Deferred gain adjusted against investment property	(49,056,614)
Difference between carrying value of net asset of Al Asima and the purchase consideration paid	5,850,753
	80,186,517

Net cash outflow as a result on acquisition was KD 41,765,552 representing consideration paid of KD 39,787,302 and overdraft acquired of KD 1,978,650.

10 INVESTMENT PROPERTIES

	Freehold land KD	*Buildings KD*	*Properties under construction KD*	*Total KD*
Balance at 1 January 2011	20,665,375	43,968,523	1,444,474	66,078,372
Investment property arising from asset acquisition (Note 9)	80,186,517	-	-	80,186,517
Other additions	63,892	-	299,913	363,805
Transfers from property under construction	-	422,290	(422,290)	-
Depreciation charge for the year	-	(1,745,585)	-	(1,745,585)
Impairment loss	(1,785,312)	-	-	(1,785,312)
Foreign currency translation adjustment	(44,661)	-	(14,739)	(59,400)
Balance at 31 December 2011	**99,085,811**	**42,645,228**	**1,307,358**	**143,038,397**
Cost	105,701,445	58,749,415	1,307,358	165,758,218
Accumulated depreciation	-	(16,104,187)	-	(16,104,187)
Impairment provision	(6,615,634)	-	-	(6,615,634)
Balance at 31 December 2011	**99,085,811**	**42,645,228**	**1,307,358**	**143,038,397**

	Freehold land KD	*Buildings KD*	*Properties under construction KD*	*Total KD*
Balance at 1 January 2010	19,469,238	16,626,601	32,690,549	68,786,388
Additions	-	29,202	1,633,110	1,662,312
Transfers from property under construction	3,777,151	29,058,502	(32,835,653)	-
Depreciation charge for the year	-	(1,745,782)	-	(1,745,782)
Impairment loss	(2,541,349)	-	-	(2,541,349)
Foreign currency translation adjustment	(39,665)	-	(43,532)	(83,197)
Balance at 31 December 2010	20,665,375	43,968,523	1,444,474	66,078,372
Cost	25,495,698	58,327,125	1,444,474	85,267,297
Accumulated depreciation	-	(14,358,602)	-	(14,358,602)
Impairment provision	(4,830,323)	-	-	(4,830,323)
Balance at 31 December 2010	20,665,375	43,968,523	1,444,474	66,078,372

Investment properties with a carrying value of KD 110,907,945 (2010: KD 39,849,251) are mortgaged against commercial and Islamic financing (Note 14,15).

Investment properties with a carrying value of KD 4,749,310 (2010: KD 4,738,420) are registered in the name of a nominee. The nominee has confirmed in writing that the Parent Company is the beneficial owner of the properties.

The fair value of investment properties amounted to KD 353,775,162 (2010: KD 222,354,986) at the reporting date based on independent third party valuations provided by professionally qualified valuers using acceptable methods of valuation such as sales comparison and income capitalization.

Properties under construction amounting to KD 1,307,358 (2010: KD 1,444,474) are carried at cost as the fair value cannot be reliably determined until such time the construction is complete.

During the year, the Parent Company recorded an impairment loss of KD 1,589,034 (2010: KD 1,272,189) against a freehold land situated in the Kingdom of Bahrain in view of the political unrest in the country and based on the most recently available information to the management.

11 PROPERTY AND EQUIPMENT

	Freehold land KD	*Buildings KD*	Furniture *and equipment KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Balance at 1 January 2011	12,647,304	71,038,682	9,431,845	82,108	2,585,223	95,785,162
Additions	-	2,350	778,612	37,790	575,617	1,394,369
Disposals	-	-	(9,554)	-	(89,192)	(98,746)
Transfers from capital work in progress	-	47,407	216,333	-	(263,740)	-
Depreciation charge for the year	-	(2,297,620)	(2,164,131)	(34,609)	-	(4,496,360)
Foreign currency translation adjustment	(151,080)	(947,098)	50,712	-	(98,853)	(1,146,319)
Balance at 31 December 2011	**12,496,224**	**67,843,721**	**8,303,817**	**85,289**	**2,709,055**	**91,438,106**
Cost	12,496,224	96,655,841	33,036,358	431,714	2,709,055	145,329,192
Accumulated depreciation	-	(28,812,120)	(24,732,541)	(346,425)	-	(53,891,086)
Net carrying amount at 31 December 2011	**12,496,224**	**67,843,721**	**8,303,817**	**85,289**	**2,709,055**	**91,438,106**

Freehold land and buildings with a carrying value of KD Nil (2010: KD 16,269,122) are mortgaged against commercial financing (Note 14).

11 PROPERTY AND EQUIPMENT (continued)

	Freehold land KD	*Buildings KD*	*Furniture and equipment KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Balance at 1 January 2010	13,209,623	76,318,520	9,230,524	80,584	4,441,227	103,280,478
Additions	-	-	741,195	38,416	892,217	1,671,828
Disposals	-	-	(65,522)	-	-	(65,522)
Transfers from capital work in progress	-	834,100	1,861,495	-	(2,695,595)	-
Depreciation charge for the year	-	(2,278,206)	(2,178,037)	(36,892)	-	(4,493,135)
Foreign currency translation adjustment	(562,319)	(3,835,732)	(157,810)	-	(52,626)	(4,608,487)
Balance at 31 December 2010	12,647,304	71,038,682	9,431,845	82,108	2,585,223	95,785,162
Cost	12,647,304	97,933,470	32,275,924	393,924	2,585,223	145,835,845
Accumulated depreciation	-	(26,894,788)	(22,844,079)	(311,816)	-	(50,050,683)
Net carrying amount at 31 December 2010	12,647,304	71,038,682	9,431,845	82,108	2,585,223	95,785,162

12 DUE TO BANKS AND A FINANCIAL INSTITUTION

	2011 KD	2010 KD
Due to banks (Note 5)	**14,188,459**	1,144,523
Due to a financial institution	**421,102**	254,562
	14,609,561	1,399,085

Due to banks represents bank overdraft subject to effective interest rate ranging from 4.5% to 5% per annum (2010: 4.5% to 5% per annum).

Due to financial institution represents a short-term facility obtained from a foreign financial institution to fund investments purchased through the same foreign financial institution (Note 7). The facility is secured by the investments portfolio with a carrying value of KD 880,165 (2010: KD 1,075,227) managed by the foreign financial institution. Under the terms of the facility agreement, repayments of the facility are funded by the proceeds from sale of investments in the portfolio.

13 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2011 KD	2010 KD
Accounts payable	**4,319,423**	5,072,376
Retentions payable	**141,737**	1,174,786
Due on purchase of investment property	**1,148,978**	1,150,520
Accrued expenses	**2,331,796**	2,467,867
Deposits from tenants, hotel and care home guests	**478,073**	683,598
Rents received in advance	**1,183,711**	1,039,679
Employees' terminal benefits	**4,234,854**	3,915,727
Other payables	**1,180,705**	1,800,106
	15,019,277	17,304,659

14 COMMERCIAL FINANCING

Commercial financing are contractually due for repayment as follows:

	2011 KD	2010 KD
Installments payable within one year	**8,045,026**	6,358,076
Installments payable within one year to two years	**4,101,630**	4,081,418
Installments payable within two years to three years	**4,161,464**	4,141,367
Installments payable within three years to four years	**1,210,347**	4,204,811
Installments payable after four years	**23,642,122**	25,591,287
	41,160,589	44,376,959

Commercial financing are denominated in the following currencies:

	2011 KD	2010 KD
Kuwaiti Dinars	**13,000,000**	14,333,336
Euro	**28,160,589**	30,043,623
	41,160,589	44,376,959

14 COMMERCIAL FINANCING (continued)

Commercial financing are repayable in equal periodic installments over variable periods of time with maturities extending to December 2030.

Commercial financing dominated in Kuwaiti Dinar carry variable interest rates, which range from 2% to 2.5% per annum (2010: 2% to 2.5% per annum) over the Central Bank of Kuwait discount rate. The foreign currency financing carries variable interest rates which range from 1.5% to 2.5% per annum (2010: 1.5% to 2.5% per annum) over Euribor.

Commercial financing of the Group with a carrying value of KD 9,000,000 (2010: KD 12,000,000) are secured by investment properties with a carrying value of KD 30,668,428 (2010: KD 39,849,251) and freehold land and buildings with a carrying value of KD Nil (2010: KD 16,269,122) owned by the Group.

Commercial financing amounting to KD 28,160,589 (2010: KD 30,034,623) has been obtained by a foreign subsidiary under the terms of which lenders have no recourse to the Parent Company in the event of default.

15 ISLAMIC FINANCING

	2011 KD	*2010 KD*
Murabaha financing	**69,250,000**	20,000,000
Wakala financing	**10,000,000**	-
	79,250,000	20,000,000

Islamic financing are contractually due for repayment as follows:

	2011 KD	*2010 KD*
Installments payable within one year	**9,250,000**	8,750,000
Installments payable within one year to two years	**4,250,000**	3,750,000
Installments payable within two years to three years	**12,750,000**	3,750,000
Installments payable within three years to four years	-	3,750,000
Installments payable after four years	**53,000,000**	-
	79,250,000	20,000,000

The average profit rate attributable to Islamic financing during the years is 2.25% per annum (2010 2.5% per annum).

Islamic financing amounting to KD 53,000,000 has been obtained by a local subsidiary acquired during the year, and is secured by an investment property with a carrying value of KD 80,239,517 owned by the Group. Under the terms of the liability, the lenders have no recourse to the Parent Company in the event of default.

16 SHARE CAPITAL

At the annual general assembly of the shareholders of the Parent Company held on 4 April 2011, the shareholders approved the increase in the authorised share capital of the Parent Company by 25% from KD 40,592,531 to KD 51,380,130. As of 31 December 2011, 100,403,432 shares have been subscribed for at nominal value of 100 fils per share amounting to KD 10,040,343 and share premium of 75 fils per share amounting to KD 7,530,257.

In addition, the annual general assembly of the shareholders of the Parent Company approved increase in the authorised share capital of the Parent Company by issuance of 6,394,676 shares at a nominal value of 100 fils per share under an employee share options plan (Note 20)

As at 31 December 2011, the authorized share capital consists of 513,801,307 shares (31 December 2010: 405,925,305 shares), and paid up capital of the Parent Company consists of 512,723,413 shares of 100 fils each (31 December 2010: 405,925,305 shares) which is paid in cash.

17 TREASURY SHARES

At 31 December 2011, the Parent Company held 17,400,000 of its own shares (2010: 15,220,000), equivalent to 3.39% (2010: 3.75%) of the total issued share capital at that date. The market value of these shares at the reporting date was KD 3,584,400 (2010: KD 4,413,800). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non distributable.

18 STATUTORY, VOLUNTARY AND GENERAL RESERVES

As required by the Commercial Companies Law and the Parent Company's articles of association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and directors' fees and after offsetting accumulated losses brought forward, is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals or exceeds 50% of paid-up share capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

Following the approval of the shareholders at the annual general assembly of shareholders of the Parent Company held on 12 April 2010, the general reserve balance of KD 4,250,000 was transferred to retained earnings.

As required by the Parent Company's articles of association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and Directors' fees after offsetting accumulated losses brought forward is required to be transferred to voluntary reserve. Such transfer may discontinue by a resolution at the General Assembly. Voluntary reserve is available for distribution.

19 DIVIDENDS DISTRIBUTION/DIRECTORS' FEES

At the annual general assembly of the shareholders of the Parent Company held on 4 April 2011, the shareholders approved the distribution of cash dividends of 20 fils per share (2009: 15 fils per share) amounting to KD 7,795,306 for the year ended 31 December 2010 (2009: 5,822,118).

For the year ended 31 December 2011, the Parent Company's Board of Directors has proposed cash dividends of 15 fils (2010: 20 fils) per share. This proposal is subject to the approval of the annual general assembly of the shareholder's of the parent Company and completion of legal formalities.

Directors' fees of KD 120,000 are subject to approval by the annual general assembly of the shareholders of the Parent Company. The director fees of KD 120,000 for the year ended 31 December 2010 are approved by the annual general assembly of the shareholders of the Parent Company held on 4 April 2011.

20 EMPLOYEE SHARE OPTIONS PLAN

At the annual general assembly of the shareholders of the Parent Company held on 4 April 2011, the shareholders approved the issuance of 6,394,676 (2010: 6,704,052 shares) shares at a nominal value of 100 fils per share (2010: 100 fils per share) under an employee share options plan. Following the approval, the eligible employees exercised their share options under the employee share option plan. As a result, the Parent Company issued 6,394,676 shares at 100 fils (2010 : 6,704,052 shares at 100 fils per share) each and recognised expense of KD 792,942 (2010 : KD 911,751) related to equity-settled share-based payment transactions within general and administrative expenses in the consolidated statement of income.

All share options under the ESOP were granted, vested and exercised during the year.

21 SUBSIDIARIES

Details of subsidiaries are set out below:

Name of the company	*Percentage of ownership* **2011**	*2010*	*Country of incorporation*	*Reporting date*	*Principal activity*
Directly held:					
Haddia Holding GMBH	**90.89%**	90.89%	Germany	31 Dec 2011	Holding company
Drawbridge Securities Limited	**50.00%**	50.00%	United Kingdom	30 Nov 2011	Property development
Ingelby Limited	**50.00%**	50.00%	United Kingdom	30 Sep 2011	Property development
Bunyan Al-Salhia Project Management Company W.L.L.	**100.00%**	100.00%	Kuwait	31 Dec 2011	Project management
Al Asima Real Estate Company K.S.C	**99.73%**	50%	Kuwait	31 Dec 2011	Real estate
Held through Haddia Holding GMBH:					
SAREC GMBH	**100.00%**	100.00%	Germany	31 Dec 2011	Leasing of properties
DANA Lebensstil GmbH (formerly: DANA Seniorenresidenzen und Pflegeheime GmbH)	**50.00%**	100.00%	Germany	31 Dec 2011	Company for further operations
Dana Senioreneinrichtungen GMBH	**40.00%**	40.00%	Germany	31 Dec 2011	Care home operator
Dana Ambulante Pfegedienste GMBH	**40.00%**	40.00%	Germany	31 Dec 2011	Care home service provider
Dana Services GMBH (Gredo GMBH)	**40.00%**	40.00%	Germany	31 Dec 2011	Care home catering service provider

During the year ended 31 December 2011, the Group continued to consolidate Drawbridge Securities Limited, Ingelby Limited, DANA Lebensstil GmbH (formerly: DANA Seniorenresidenzen und Pflegeheime GMBH, Dana Senioreneinrichtungen GMBH, Dana Ambulante Pfegedienste GMBH and Dana Services GMBH (Gredo GMBH) as the Group has in substance the majority of ownership risks in order to obtain benefits from their activities.

During the year, the Group disposed of 50% equity interest in DANA Lebensstil GMBH (a nearly formed company) for an immaterial consideration. There is no material gain or loss recorded as a result of this disposal.

22 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, associate and joint venture entities, directors and key management personnel of the Group, and companies which are controlled by them or over which they have significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2011 **KD**	*2010* *KD*
Management income	-	17,000
Directors fees	**120,000**	120,000

Balances with related parties included in the consolidated statement of financial position are as follows:

	Major shareholders *KD*	*Other related parties* *KD*	**Total 2011** **KD**	*Total 2010* *KD*
Amounts due from related parties	-	-	-	1,635,975
Staff receivables	250,267	553,738	**804,005**	702,470

Compensation of key management personnel
The remuneration of key management personnel of the Group during the year is as follows:

	2011 **KD**	*2010* *KD*
Short-term benefits	**398,095**	394,855
Employees' end of service benefits	**125,528**	239,450
	523,623	634,305

23 SEGMENTAL INFORMATION

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss as explained in the table below.

Segment results include revenue and expenses directly attributable to a segment.
- Real estate operations: Consist of development and leasing of properties.
- Hotel operations: Consist of the hotel hospitality services provided through JW Marriott Hotel – Kuwait, Courtyard Marriott Hotel-Kuwait and Arraya Ball Room - Kuwait.
- Care home operations: Consist of care home activities provided by subsidiary companies.

23 SEGMENTAL INFORMATION (continued)

The following is the detail of the above segments, which constitutes the Group's operating segments:

	31 December 2011				31 December 2010			
	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD
Segment revenue	**16,071,093**	**12,155,402**	**15,627,961**	**43,854,456**	16,291,618	11,605,494	15,098,612	42,995,724
Segment operating costs	**(1,781,893)**	**(4,856,854)**	**(11,491,686)**	**(18,130,433)**	(2,333,133)	(4,729,108)	(10,832,703)	(17,894,944)
Segment gross profit	**14,289,200**	**7,298,548**	**4,136,275**	**25,724,023**	13,958,485	6,876,386	4,265,909	25,100,780
Share in joint venture's results	**1,748,062**	**-**	**-**	**1,748,062**	1,163,735	-	-	1,163,735
Share of associate's results	**(582,378)**	**-**	**-**	**(582,378)**	(1,427,815)	-	-	(1,427,815)
Depreciation	**(3,082,464)**	**(1,923,480)**	**(1,236,001)**	**(6,241,945)**	(3,126,959)	(1,894,730)	(1,217,228)	(6,238,917)
Impairment loss on investment properties	**(1,785,312)**	**-**	**-**	**(1,785,312)**	(2,541,349)	-	-	(2,541,349)
Other operating expenses	**(2,528,589)**	**(1,022,512)**	**(1,085,344)**	**(4,636,445)**	(3,136,601)	(1,030,633)	(1,191,790)	(5,359,024)
Finance costs	**(4,127,786)**	**(101,723)**	**(1,776,907)**	**(6,006,416)**	(2,722,871)	(95,123)	(1,901,486)	(4,719,480)
Foreign tax	**(532,852)**	**-**	**(215,652)**	**(748,504)**	(268,879)	-	(192,127)	(461,006)
Segment results	**3,397,881**	**4,250,833**	**(177,629)**	**7,471,085**	1,897,746	3,855,900	(236,722)	5,516,924
Interest income				**45,408**				245,843
Investment income				**1,542,106**				8,878,706
Impairment loss on financial assets available for sale				**(1,894,024)**				(4,157,730)
Other non-operating income				**428,856**				(124,703)
KFAS, NLST, Zakat and Directors' fees				**(443,928)**				(589,508)
Profit for the year				**7,149,503**				9,769,532
Other information:								
Segment assets	**224,785,859**	**4,852,498**	**40,696,584**	**270,334,941**	151,927,871	4,635,520	42,829,651	199,393,042
Investment in joint venture	**10,439,964**	**-**	**-**	**10,439,964**	10,290,764	-	-	10,290,764
Total assets	**235,225,823**	**4,852,498**	**40,696,584**	**280,774,905**	162,218,635	4,635,520	42,829,651	209,683,806
Segment liabilities	**117,938,348**	**2,305,726**	**29,795,353**	**150,039,427**	49,005,048	2,149,585	31,926,070	83,080,703
Capital expenditure	**1,392,079**	**-**	**366,095**	**1,758,174**	3,103,607	-	230,533	3,334,140

23 SEGMENTAL INFORMATION (continued)

Geographic information

The Group operates in two geographical markets: Kuwait and GCC and Europe. The following table shows the distribution of the Group's segment revenues, assets and capital expenditure.

	31 December 2011			31 December 2010		
	Kuwait and GCC	***Europe***	***Total***	*Kuwait and GCC*	*Europe*	*Total*
	KD	***KD***	***KD***	*KD*	*KD*	*KD*
Revenue	**28,226,495**	**15,627,961**	**43,854,456**	27,897,112	15,098,612	42,995,724
Assets	**233,969,327**	**46,805,579**	**280,774,905**	160,838,910	48,844,896	209,683,806
Capital expenditure	**1,298,979**	**459,195**	**1,758,174**	1,585,734	1,748,406	3,334,140

24 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's principal financial liabilities comprise non-derivatives financial instruments such as commercial financing, Islamic financing, due to banks and a financial institutions and account payables. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as accounts receivable, cash and bank balances and short-term fixed deposits, which arise directly from its operations. The Group also holds financial assets available for sale.

The main risk arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

The Parent Company's Board of Directors and Executive Committee are ultimately responsible for overall risk management including setting, reviewing and agreeing policies for managing each of these risks which are summarised below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and equity price risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

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

Positions are monitored on a regular basis to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonable possible change of interest rate in terms of basis points with effect from the beginning of the year. The calculation is based on the Group's floating rate financial instruments held at each reporting date. All other variables are held constant.

	Increase in basis points	*Effect on profit before KFAS, NLST, Zakat and Directors' fees KD*
2011		
Kuwaiti Dinar	**25**	**(2,557,622)**
Euro	**25**	**(698,983)**
US Dollar	**25**	**(10,528)**
GBP	**25**	**(19,914)**
2010		
Kuwaiti Dinar	25	(791,095)
Euro	25	(751,903)
US Dollar	25	(6,364)
GBP	25	(27,801)

Sensitivity to interest rates movement will be on symmetric basis as financial instruments giving rise to non-symmetric movements are not significant.

24 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investments in foreign subsidiaries, as the Group's exposure to foreign currency monetary assets and liabilities is not significant.

The following table demonstrates the sensitivity to changes in currency rates, with all other variables held constant:

	2011			2010		
Currency	Change in currency rate in %	Effect on profit KD	Effect on other comprehensive income KD	Change in currency rate in %	Effect on profit KD	Effect on other comprehensive income KD
US Dollar	-1%	4,054	(103,137)	2%	5,091	(155,670)
Euro	-3%	-	(791,928)	10%	-	(179,558)
Pound Sterling	-1%	(5,332)	(62)	6%	(18,434)	-

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investments include securities listed on the Kuwait Stock Exchange and a portfolio of foreign investments (managed by foreign financial institutions) sensitive to recognised international indices.

The effect on other comprehensive income in equity (as a result of a change in the fair value of financial assets available for sale at 31 December 2011) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2011		2010	
Market indices	Change in equity price %	Effect on other comprehensive income KD	Change in equity price %	Effect on other comprehensive income KD
Kuwait	+/-5	81,127	+/-5	169,058
International	+/-5	135,192	+/-5	75,597

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual counter-parties, & groups of counter-parties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

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

	2011 KD	2010 KD
Cash and cash equivalents	4,255,114	4,346,218
Short-term deposits	262,397	2,739,521
Fixed deposits	3,275,925	-
Accounts receivable (Note 6)	1,535,526	1,832,009
Total exposure of credit risk	9,328,962	8,917,748

24 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
The credit risk exposure for bank balances and fixed deposits is not considered to be significant because the counterparties are reputable, financially sound financial institutions.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to a single counter party is KD 593,599 (2010: KD 860,853). There are no significant concentrations of credit risk within the Group.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, commercial and Islamic financing.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2011 and 31 December 2010 based on contractual undiscounted payments:

Year ended 31 December 2011	***Within 3 months KD***	***3 to 6 months KD***	***6 to 12 months KD***	***Over one year KD***	***Total KD***
Due to banks and financial institution	**14,609,561**	**-**	**-**	**-**	**14,609,561**
Accounts payable and accruals	**4,510,838**	**1,823,365**	**1,423,234**	**7,261,840**	**15,019,277**
Commercial financing	**1,553,854**	**1,544,505**	**7,064,064**	**47,286,648**	**57,449,071**
Islamic financing	**1,981,226**	**1,967,981**	**8,915,692**	**91,599,606**	**104,464,505**
TOTAL LIABILITIES	**22,655,479**	**5,335,851**	**17,402,990**	**146,148,094**	**191,542,414**

Year ended 31 December 2010	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
Due to banks and financial institution	1,399,085	-	-	-	1,399,085
Accounts payable and accruals	5,822,584	3,242,499	1,571,563	6,668,013	17,304,659
Commercial financing	6,180,993	1,112,800	2,194,007	12,164,255	21,652,055
Islamic financing	2,217,029	2,200,249	4,332,040	47,594,249	56,343,567
TOTAL LIABILITIES	15,619,691	6,555,548	8,097,610	66,426,517	96,699,366

24 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

Financial liabilities 2011	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Contingent liabilities	**-**	**16,714,667**		**16,714,667**
Commitments	**-**	**7,388,449**	**8,903,512**	**16,291,961**
Total	**-**	**24,103,116**	**8,903,512**	**33,006,628**
2010				
Contingent liabilities	-	16,667,615	-	16,667,615
Commitments	3,453,376	11,526,071	-	14,979,447
Total	3,453,376	28,193,686	-	31,647,062

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of cash and cash equivalents, fixed deposits, accounts receivable and other assets, accounts payable and other liabilities, interest bearing loans and borrowings at the year end is based on contractual repayment arrangements. The maturity profile for the remaining assets is determined based on the management estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of assets and liabilities was as follows:

31 December 2011 ASSETS	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
Cash and cash equivalents	4,517,511	-	-	-	4,517,511
Fixed deposits	-	3,275,925	-	-	3,275,925
Inventories	334,955	-	-	-	334,955
Accounts receivables and other assets	2,254,818	1,721,570	272,913	505,183	4,754,484
Financial assets available for sale	-	-	4,843,307	18,132,256	22,975,563
Investment in joint venture	-	-	-	10,439,964	10,439,964
Investment properties	-	-	-	143,038,397	143,038,397
Property and equipment	-	-	-	91,438,106	91,438,106
TOTAL ASSETS	**7,107,284**	**4,997,495**	**5,116,220**	**263,553,906**	**280,774,905**
LIABILITIES					
Due to banks and a financial institution	14,609,561	-	-	-	14,609,561
Accounts payable and other liabilities	4,510,838	1,823,365	1,423,234	7,261,840	15,019,277
Commercial financing	1,011,256	1,011,256	6,022,513	33,115,564	41,160,589
Islamic financing	1,062,500	1,062,500	7,125,000	70,000,000	79,250,000
TOTAL LIABILITIES	**21,194,155**	**3,897,121**	**14,570,747**	**110,377,404**	**150,039,427**

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2010 ASSETS	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
Cash and cash equivalents	7,384,622	-	-	-	7,384,622
Inventories	305,110	-	-	-	305,110
Accounts receivables and other assets	1,221,788	2,674,666	419,186	2,119,086	6,434,726
Financial assets available for sale	-	-	5,411,232	17,993,818	23,405,050
Investment in joint venture	-	-	-	10,290,764	10,290,764
Investment properties	-	-	-	66,078,372	66,078,372
Property and equipment	-	-	-	95,785,162	95,785,162
TOTAL ASSETS	8,911,520	2,674,666	5,830,418	192,267,202	209,683,806
LIABILITIES					
Due to banks and a financial institution	1,399,085	-	-	-	1,399,085
Accounts payable and other liabilities	5,822,584	3,242,499	1,571,563	6,668,013	17,304,659
Commercial financing	6,584,381	1,587,774	4,123,420	32,081,384	44,376,959
Islamic financing	937,500	937,500	937,500	17,187,500	20,000,000
TOTAL LIABILITIES	14,743,550	5,767,773	6,632,483	55,936,897	83,080,703

26 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, due to banks and a financial institution, accounts payable and other liabilities, and commercial and Islamic financing, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Parent Company less cumulative changes in fair values.

	2011 KD	*2010 KD*
Due to banks and a financial institution	**14,609,561**	1,399,085
Accounts payable and other liabilities	**15,019,277**	17,304,659
Term financing	**120,410,589**	64,376,959
Less: Cash and cash equivalents	**(4,517,511)**	(7,384,622)
Net debt	**145,521,916**	75,696,081
Equity attributable to the equity holders of the Parent Company	**130,122,053**	111,710,279
Less: Fair value reserve	**(836,753)**	(1,425,588)
Total capital	**130,958,806**	113,135,867
Capital and net debt	**276,480,722**	188,831,948
Gearing ratio	**53%**	40%

27 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the reporting date, the Group had the following contingencies and capital commitments:

	2011 KD	*2010 KD*
Letters of guarantee	**16,714,667**	16,667,615
Construction projects	**16,291,961**	14,979,447
	33,006,628	31,647,062