SECURITIES GROUP COMPANY K.S.C. (CLOSED)
AND SUBSIDIARIES (THE GROUP)
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012
WITH
INDEPENDENT AUDITORS' REPORT

SECURITIES GROUP COMPANY K.S.C. (CLOSED)
AND SUBSIDIARIES (THE GROUP)
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012
WITH
INDEPENDENT AUDITORS' REPORT

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MGI
Midsnell Group International
an association of independent
accounting & consulting firms

FIRST AUDIT
الأول لتدقيق الحسابات
محاسبون و مراجعون قانونيون

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Securities Group Company K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Securities Group Company K.S.C. (Closed) (the Parent Company) and subsidiaries (the Group), which comprise the consolidated statement of financial position as of March 31, 2012, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for qualified opinion
The Group's investment in its associate, Kuwait Qatari Co. for Real Estate Development K.S.C.C. was carried at KD 4,366,643 as of March 31, 2012. The Group did not account for its share of associate's equity movements for the year ended March 31, 2012 due to non-availability of the audited financial statements of the associate. Consequently, we were unable to ascertain whether any further adjustments to the carrying amount of the investments were necessary.

Qualified opinion
In our opinion, except for the possible effect of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of March 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the state of Kuwait.

Report on other legal and regulatory requirements
Furthermore, in our opinion proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Company's law of 1960, as amended, and by the Parent Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of the Commercial Company's Law of 1960, as amended, or of the Parent Company's Articles of Association have occurred during the year ended March 31, 2012 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the year ended March 31, 2012.

Abdul-Mageed Murad Ashkanani
Licence No. 95-A
First Audit
Member of MGI International

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

State of Kuwait
June 12, 2012

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2012	2011
Cash on hand and at banks		**7,228,553**	9,559,829
Investments at fair value through statement of income	3	**300,680**	24,480
Accounts receivable and other debit balances	4	**990,291**	3,979,209
Loans granted to others	5	**-**	247,500
Investments available for sale	6	**63,475,666**	80,090,632
Investment in associates	7	**13,402,537**	18,180,354
Investment in unconsolidated subsidiaries	8	**881,219**	1,371,983
Investment properties	9	**5,478,321**	17,128,185
Total assets		**91,757,267**	130,582,172
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Loans	10	**30,831,004**	67,732,774
Accounts payable and other credit balances	11	**2,693,560**	3,161,297
Total liabilities		**33,524,564**	70,894,071
Equity:			
Capital	12	**25,528,372**	25,528,372
Treasury shares	13	**(87,765)**	(53,481)
Share premium		**3,046,592**	3,046,592
Statutory reserve	14	**12,764,186**	12,764,186
Voluntary reserve	15	**4,405,892**	4,405,892
Foreign currency translation adjustments		**2,128**	317,857
Cumulative changes in fair value		**(12,656,468)**	(13,216,968)
Retained earnings		**25,161,805**	26,895,651
Equity attributable to the shareholders of Parent Company		**58,164,742**	59,688,101
Non-controlling interest		**67,961**	-
Total equity		**58,232,703**	59,688,101
Total liabilities and equity		**91,757,267**	130,582,172
Memorandum accounts off the consolidated statement of financial position	24	**1,323,033,674**	1,310,698,305

The accompanying notes (1) to (29) form an integral part of the consolidated financial statements

Ali Y. Al - Awadi
Chairman and Managing Director

Sheikha / Abeer Salem Al-Ali Al-Sabah
Vice Chairman

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Revenues:			
Net investment (loss) income	17	**(3,831,769)**	3,154,197
Interest income		**46,554**	53,394
Fees and commission income	18	**2,292,367**	1,839,547
Rental income		**631,473**	1,129,260
Share of results from associates	7	**1,493,978**	2,872,856
Gain on sale of an associate	7	**6,048,600**	-
Gain on sale of an unconsolidated subsidiary		**-**	363,099
Gain on sale of investment properties	9	**6,442,754**	200,000
Provision for loan no longer required	5	**2,500**	6,850
Other income		**123,799**	254,995
		13,250,256	9,874,198
Expenses and other charges:			
General and administrative expenses	19	**(1,912,766)**	(2,188,443)
Finance charges		**(1,979,846)**	(1,537,325)
Impairment loss on investments available for sale		**(7,071,301)**	(4,635,496)
Provision for doubtful debts	4	**(1,430,659)**	(1,450,000)
Profit for the year before taxation and Board of Directors' remuneration		**855,684**	62,934
Board of Directors' remuneration	16	**(50,000)**	(50,000)
Net profit for the year		**805,684**	12,934
Attributable to:			
Shareholders of the Parent Company		**815,478**	12,934
Non-controlling interest		**(9,794)**	-
Net profit for the year		**805,684**	12,934
		Fils	Fils
Earnings per share attributable to shareholders of the Parent Company	23	**3.20**	0.05

The accompanying notes (1) to (29) form an integral part of the consolidated financial statements

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Net profit for the year		**805,684**	12,934
Other comprehensive income (loss):			
Investments available for sale:			
Changes in fair value of investments available for sale	6	**(3,858,411)**	(2,059,863)
Reversal on sale of investments available for sale		**3,487,596**	32,966
Reversal due to impairment of investments available for sale		**931,315**	5,761
		560,500	(2,021,136)
Foreign currency translation adjustments		**(315,729)**	(16,273)
Other comprehensive income (loss) for the year		**244,771**	(2,037,409)
Total comprehensive income (loss) for the year		**1,050,455**	(2,024,475)
Attributable to:			
Shareholders of the Parent Company		**1,060,249**	(2,024,475)
Non-controlling interest		**(9,794)**	-
		1,050,455	(2,024,475)

The accompanying notes (1) to (29) form an integral part of the consolidated financial statements

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

	Equity attributable to the Shareholders of the Parent Company										
	Capital	Treasury shares	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation adjustments	Cumulative changes in fair value	Retained earnings	Sub-total	Non-controlling interest	Total
Balance as of March 31, 2010	25,528,372	(33,822)	3,046,592	12,764,186	4,405,892	334,130	(11,195,832)	30,709,096	65,558,614	-	65,558,614
Total comprehensive (loss) income for the year	-	-	-	-	-	(16,273)	(2,021,136)	12,934	(2,024,475)	-	(2,024,475)
Purchase of treasury shares	-	(19,659)	-	-	-	-	-	-	(19,659)	-	(19,659)
Cash dividends (Note 16)	-	-	-	-	-	-	-	(3,826,379)	(3,826,379)	-	(3,826,379)
Balance as of March 31, 2011	25,528,372	(53,481)	3,046,592	12,764,186	4,405,892	317,857	(13,216,968)	26,895,651	59,688,101	-	59,688,101
Total comprehensive (loss) income for the year	-	-	-	-	-	(315,729)	560,500	815,478	1,060,249	(9,794)	1,050,455
Purchase of treasury shares	-	(34,284)	-	-	-	-	-	-	(34,284)	-	(34,284)
Effect of partial disposal of a subsidiary (Note 2)	-	-	-	-	-	-	-	-	-	11,018	11,018
Effect of consolidation of a subsidiary (Note 2)	-	-	-	-	-	-	-	-	-	66,737	66,737
Cash dividends (Note 16)	-	-	-	-	-	-	-	(2,549,324)	(2,549,324)	-	(2,549,324)
Balance as of March 31, 2012	**25,528,372**	**(87,765)**	**3,046,592**	**12,764,186**	**4,405,892**	**2,128**	**(12,656,468)**	**25,161,805**	**58,164,742**	**67,961**	**58,232,703**

The accompanying notes (1) to (29) form an integral part of the consolidated financial statements

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

	2012	2011
Cash flow from operating activities:		
Profit for the year before taxation and Board of Directors' remuneration	855,684	62,934
Adjustments to:		
Net investment loss (income)	3,831,769	(3,154,197)
Interest income	(46,554)	(53,394)
Share of results from associates	(1,493,978)	(2,872,856)
Gain on sale of an associate	(6,048,600)	-
Gain on sale of an unconsolidated subsidiary	-	(363,099)
Gain on sale of investment properties	(6,442,754)	(200,000)
Provision for loan no longer required	(2,500)	(6,850)
Provision for doubtful debts no longer required	-	(15,201)
Provision for end of service indemnity	91,781	61,373
Finance charges	1,979,846	1,537,325
Impairment loss on investments available for sale	7,071,301	4,635,496
Provision for doubtful debts	1,430,659	1,450,000
	1,226,654	1,081,531
Changes in operating assets and liabilities:		
Investments at fair value through statement of income	(178,641)	1,223,862
Accounts receivable and other debit balances	2,128,793	(603,783)
Loans granted to others	250,000	684,979
Accounts payable and other credit balances	(538,550)	365,603
Cash generated from operations	2,888,256	2,752,192
Payment of end of service indemnity	(19,811)	(17,695)
Paid to KFAS	-	(11,644)
Paid for NLST	-	(53,209)
Paid for Zakat	-	(7,113)
Payment of Board of Directors' remuneration	(50,000)	(50,000)
Net cash generated from operating activities	2,818,445	2,612,531
Cash flow from investing activities:		
Purchase of investments available for sale	(12,187,648)	(27,703,415)
Proceeds from sale of investments available for sale	17,570,224	16,475,203
Proceed from partial sale of investment in unconsolidated subsidiaries	9,643	310,599
Proceed from partial sale of investment in subsidiaries	11,018	-
Paid for investment in associates	-	(888,479)
Proceed from sale of investment in associate	12,160,000	-
Purchase of investment properties	(2,114,103)	(2,087,020)
Proceeds from sale of investment properties	19,940,058	451,188
Interest received	56,427	76,373
Dividends received	1,218,661	3,694,938
Net cash generated from (used in) investing activities	36,664,280	(9,670,613)
Cash flows from financing activities:		
Net movement in loans	(36,901,770)	20,545,485
Purchase of treasury shares	(34,284)	(19,659)
Cash dividends paid	(2,591,776)	(3,798,108)
Finance charges paid	(2,292,315)	(2,554,632)
Net cash (used in) generated from financing activities	(41,820,145)	14,173,086
Net (decrease) increase in cash on hand and at banks	(2,337,420)	7,115,004
Cash on hand and at banks on consolidation of a subsidiary	6,144	-
Cash on hand and at banks at the beginning of the year	9,559,829	2,444,825
Cash on hand and at banks at the end of the year	7,228,553	9,559,829

The accompanying notes (1) to (29) form an integral part of the consolidated financial statements

1. Incorporation and principal activities

Securities Group Company K.S.C. (Closed) (the Parent Company) is a Kuwaiti Closed Shareholding Company incorporated by agreement no. 786 / Vol. 2 dated October 24, 1981 and the latest amendment on June 9, 2007. The Parent Company is listed in the Kuwait Stock Exchange. The Parent Company's registered office is P.O. Box 26953, Safat 13130, State of Kuwait.

The principal activities of the Parent Company include:
- Trading in securities listed in Kuwait and the GCC
- Acting as custodian and managers of funds
- Conducting research and studies
- Providing financial and investment services
- Obtaining loans from the financial market, granting to others and acting as an intermediary in the lending and borrowing process
- Establishing and managing real estate portfolios for its clients inside and outside Kuwait and
- Investment in real estate.

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

The total number of employees of the Parent Company as of March 31, 2012 is 62 (2011 - 59).

The consolidated financial statements were authorized for issue by the Board of Directors on June 12, 2012. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial order No.18 of 1990 except for IAS 39 requirements for collective provision which has been replaced by the Central Bank of Kuwait requirements for a minimum general provision. Significant accounting policies are summarized as follows:

a) Basis of preparation
The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except that, investments at fair value through income statement and certain investments available for sale are stated at their fair value. The accounting policies applied by the Group are consistent with those used in the previous year, except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2011:

Revised IAS 24 Related Party Disclosures (issued in November 2009)
The revised standard supersedes IAS 24 issued in 2003 and is mandatory for annual periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The disclosure exemptions do not affect the Group because the Group is not a government-related entity. Also, disclosures regarding related party transactions and balances in these consolidated financial statements are not significantly affected because all counterparties within the scope of the revised Standard previously met the definition of a related party.

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

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

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

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

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(q).

Standards issued but not effective

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

IFRS 9, 'Financial Instruments'

The standard, which will be effective for annual periods beginning on or after January 1, 2015, specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

IFRS 10 Consolidated Financial Statements (issued in May 2011)

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

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

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

IFRS 13 Fair Value Measurement (issued in May 2011)

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

b) Principles of consolidation

The consolidated financial statements include the financial information of Securities Group Company K.S.C. (Closed) and the following subsidiaries:

Name of Subsidiary	Country of incorporation	Percentage of holding 2012	2011
Al Anoud Al Thahabiya Company W.L.L.	Kingdom of Saudi Arabia	**100%**	100%
North African Investment Company Limited	Cayman islands	**100%**	100%
First Securities Group For Credit Fund Company W.L.L.	Kuwait	**99%**	100%
Securities Group Morocco SARL AU	Morocco	**100%**	100%
Al- Ataya International Foods Company K.S.C. (Closed)	Kuwait	**75%**	-

During the year ended March 31, 2012, the Group has consolidated Al- Ataya International Foods Company K.S.C. (Closed) (Note 8).

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

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

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

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

c) Financial instruments

Financial assets and financial liabilities carried on the statement of financial position include cash on hand and at banks, receivables, investments, loans and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

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

i) Accounts receivable

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

ii) Investments

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

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

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

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

(b) Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

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

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

Realized and unrealized gains and losses from investments at fair value through income statement are included in the consolidated statement of income. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in other comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any. When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of income.

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

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

iii) Borrowings

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

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

iv) Accounts payable

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

d) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policy decisions. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate.

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

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

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

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

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

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

e) <u>Investment properties</u>

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are re-measured at cost including purchase price and transactions costs less accumulated depreciation and impairment losses. Land on which the investment property is erected is not depreciated. Depreciation is computed on a straight-line basis over the useful life of the buildings of 20 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of income.

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

f) Impairment of tangible assets

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

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

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

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

g) Provisions

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

h) Provision for end of service indemnity

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

i) Capital

Ordinary shares are classified as equity.

j) Treasury shares

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

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

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

k) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

l) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of investments and services rendered in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale and services rendered have been resolved.

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

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

iii) Interest income
Interest income is recognized using the effective interest method.

iv) Management fees
Management fees are recognized on a cash basis.

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

m) Foreign currencies

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

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

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

n) Borrowing costs

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

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

o) Contingencies

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

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

p) Memorandum accounts off the statement of financial position

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

q) Critical accounting estimates and judgments

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

a) Judgments

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

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

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

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

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

b) Estimation and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

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

3. Investments at fair value through statement of income

Investments at fair value through statement of income represents quoted securities held for trading.

4. Accounts receivable and other debit balances

	2012	2011
Accrued revenue	2,864,458	2,871,214
Due from related parties	450,176	758,585
Receivable from sale of investment properties	297,135	1,148,812
Accrued dividend	19,798	17,477
Other receivables	449,695	843,433
	4,081,262	5,639,521
Less: Provision for doubtful debts	(3,090,971)	(1,660,312)
	990,291	3,979,209

The movement in the provision for doubtful debts was as follows:

	2012	2011
Balance at the beginning of the year	1,660,312	225,513
Charged during the year	1,430,659	1,450,000
Reversed during the year	-	(15,201)
Balance at the end of the year	3,090,971	1,660,312

5. Loans granted to others

	2012	2011
Loans granted	-	250,000
Provision for loans	-	(2,500)
	-	247,500

Movement in provisions for loans granted to others was as follows:

	2012			2011		
	General	Specific	Total	General	Specific	Total
Balance at the beginning of the year	2,500	-	2,500	9,350	-	9,350
Provision no longer required	(2,500)	-	(2,500)	(6,850)	-	(6,850)
Balance at the end of the year	-	-	-	2,500	-	2,500

The policy of the Parent Company for calculation of the impairment provisions for loans granted to others complies in all material respects with the specific provision requirements of the Central Bank of Kuwait.

6. Investments available for sale

	2012	2011
Quoted securities	41,896,173	50,499,660
Unquoted securities	17,574,189	25,253,465
Funds	4,005,304	4,337,507
	63,475,666	80,090,632

The movement during the year was as follows:

	2012	2011
Balance at the beginning of the year	80,090,632	74,333,953
Additions	12,187,648	27,703,415
Transferred from investment in associates (Note 7)	84,435	-
Related to consolidation of a subsidiary	225,266	-
Disposals	(19,113,918)	(15,257,138)
Changes in fair value	(3,858,411)	(2,059,863)
Impairment loss on investments available for sale	(6,139,986)	(4,629,735)
Balance at the end of the year	63,475,666	80,090,632

Unquoted securities and investment in funds amounting to KD 17,604,760 (2011 - KD 23,021,776) are carried at cost less impairment losses, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value for these investments. There is no active market for these investments and the Group intends to hold them for the long term.

Investments available for sale amounting to KD 20,393,850 (2011 – KD 24,266,100) were pledged with a local bank against a loan (Note 10).

Investments available for sale are denominated in the following currencies:

	2012	2011
Kuwaiti Dinar	47,683,534	58,459,696
US Dollar	9,843,161	13,780,505
Qatari Riyal	1,439,294	790,237
Bahraini Dinar	-	1,331,495
Sterling Pound	540,392	861,910
UAE Dirhams	-	767,848
Saudi Riyal	1,576,139	1,576,139
Tunisian Dinar	2,393,146	2,522,802
	63,475,666	80,090,632

7. Investment in associates

Name of the associate	Country of incorporation	Percentage of holding	2012	2011
Kuwait Saudi Pharmaceutical Industries Co. S.A.K. (a)	Kuwait	-	-	4,950,357
Kuwait Qatari Co. for Real Estate Development K.S.C.C	Kuwait	40.72%	**4,366,643**	4,366,643
Future Communication Co. K.S.C.C (b)	Kuwait	28.18%	**8,247,103**	7,922,101
Mizin Holding Co. B.S.C. (Closed)	Bahrain	20%	**76,500**	76,500
Alpha Atlantique Du Sahara S.A.	Morocco	22.52%	**712,291**	864,753
			13,402,537	18,180,354

The movement during the year is as follows:

	2012	2011
Balance at the beginning of the year	**18,180,354**	16,531,052
Additions	**-**	888,479
Share of results from associates	**1,493,978**	2,872,856
Disposals	**(6,111,400)**	-
Cash dividends received	**-**	(2,112,033)
Transferred to investments available for sale (Note 6)	**(84,435)**	-
Foreign currency translation adjustments	**(75,960)**	-
Balance at the end of the year	**13,402,537**	18,180,354

a) During the year, the Group disposed 47.32% equity interest in Kuwait Saudi Pharmaceutical Industries Co. S.A.K. ("KSPI") for KD 12,160,000 and recognized a gain of KD 6,048,600. Accordingly, the Group's equity interest in KSPI decreased to 0.68% resulting in a loss of significant influence over the associate. The retained investment of KD 84,435 is treated as an investment available for sale. The share of results from the associate accounted for the year ended March 31, 2012 was KD 1,245,478.

b) The market value of the associate at the end of the reporting period is KD 6,395,565 (2011 – KD 7,309,217).

The summarised financial information of associates was as follows:

	2012	2011
Associates' statement of financial position:		
Total assets	**31,856,477**	49,974,127
Total liabilities	**6,183,757**	13,561,269
Net assets	**25,672,720**	36,412,858
Associates' revenue and results:		
Revenue	**36,964,293**	56,288,127
Net profit for the year	**1,217,232**	5,412,406

8. Investment in unconsolidated subsidiaries

Subsidiary name	Country of incorporation	Percentage of ownership	2012	2011
Al- Ataya International Foods Company K.S.C.C	Kuwait	-	-	875,000
Second Securities Group for General Trading and Contracting Company W.L.L.	Kuwait	99%	247,500	250,000
Third Securities Group For Economic Consultants Company W.L.L.	Kuwait	99%	7,425	7,500
Fourth Securities Group For Mechanical Consultants Company W.L.L.	Kuwait	99%	247,500	250,000
Sixth Securities Group For Administrative Consultant Company W.L.L.	Kuwait	99%	7,421	7,500
Private Group for General Trading And Contracting Company W.L.L.	Qatar	50%	8,000	8,000
Salamana Silver Company W.L.L.	KSA	95%	6,973	7,337
Ready Office Real Estate Company W.L.L.	Kuwait	99%	59,400	60,000
Al Maleeh Real Estate Company W.L.L.	Kuwait	99%	59,400	60,000
Al Sawab Real Estate Company W.L.L.	Kuwait	99%	59,400	60,000
Al Jadedeiah Real Estate Company W.L.L.	Kuwait	99%	59,400	60,000
Al Raha Real Estate Company W.L.L.	Kuwait	99%	59,400	60,000
Al Qasba Real Estate Company W.L.L.	Kuwait	-	-	60,000
Al Sametah Real Estate Company W.L.L.	Kuwait	99%	59,400	60,000
			881,219	1,825,337
Provision for impairment on unconsolidated subsidiaries			-	(453,354)
			881,219	1,371,983

The Group had not consolidated these subsidiaries since they were not considered material to the accompanying consolidated financial statements.

Al- Ataya International Foods Company K.S.C.C was consolidated for the year ended March 31, 2012.

9. Investment properties

The average fair value of investment properties as of March 31, 2012 was KD 10,379,361 (2011 – KD 24,061,526) based on the valuations carried out by independent valuers.

During the year ended March 31, 2012, the Group acquired investment properties for a total cost of KD 2,114,103 and sold investment properties for a consideration of KD 20,237,193 resulting in a gain of KD 6,442,754.

10. Loans

	2012	2011
Loans maturing within 3 months	-	16,250,000
Loans maturing from 3 months to one year	30,831,004	51,482,774
	30,831,004	67,732,774

Loans carry an annual interest rate ranging from 2.5 % to 3.5 % (2011 – 2.5 % to 3.5 %).

Loan of KD 25,815,000 is secured by quoted securities (Note 6) and other loans are secured by promissory notes.

11. Accounts payable and other credit balances

	2012	2011
Due to Kuwait Clearing Company	**-**	61,130
Accrued expenses	**502,014**	1,362,270
Dividend payable	**384,754**	427,206
Provision for end of service indemnity	**314,169**	242,199
Due to related parties	**489,001**	706,973
Other payables	**1,003,622**	361,519
	2,693,560	3,161,297

12. Capital

The authorized, issued and paid up capital comprises of 255,283,718 (2011 – 255,283,718) shares of 100 fils each and all shares are paid up in cash.

13. Treasury shares

	2012	2011
Number of treasury shares	**351,342**	211,342
Percentage of ownership	**0.14%**	0.08%
Market value (KD)	**80,809**	53,892
Cost (KD)	**87,765**	53,481

14. Statutory reserve

As required by the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. During the year, the Parent Company did not transfer any amounts to statutory reserve since it had reached 50% of the capital.

15. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such transfer may be discontinued by a resolution at the Shareholders' Annual General Assembly, upon recommendation by the Board of Directors. The Shareholders General Assembly dated April 6, 2004, approved to discontinue any transfer to the voluntary reserve with effect from December 31, 2002.

16. General Assembly and proposed dividend

The Board of Directors proposed not to distribute dividends for the year ended March 31, 2012. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on August 21, 2011 approved the distribution of cash dividends of 10 fils per share amounting to KD 2,549,324 and Board of Directors' remuneration amounting to KD 50,000 for the year ended March 31, 2011.

17. Net investment (loss) income

	2012	2011
Unrealized loss from investments at fair value through statement of income	**(21,329)**	(5,770)
Realized (loss) gain from investments at fair value through statement of income	**(132)**	930,712
Realized (loss) gain from investments available for sale	**(5,031,290)**	1,185,099
Dividend income	**1,220,982**	1,044,156
	(3,831,769)	3,154,197

18. Fees and commission income

	2012	2011
Portfolio management fees	**1,948,241**	1,679,921
Fund management fees	**-**	153,269
Consultancy fees	**343,821**	3,750
Incentive fees	**-**	575
Commission	**305**	2,032
	2,292,367	1,839,547

19. General and administrative expenses

	2012	2011
Staff costs	**977,391**	889,448
Management fees	**66,488**	587,635
Professional fees	**57,435**	28,222
Other expenses	**811,452**	683,138
	1,912,766	2,188,443

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

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

21. National Labor Support Tax (NLST)

NLST is calculated at 2.5% of the net profit attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration and after deducting its share of income from Kuwaiti listed shareholding subsidiaries and associates and dividends from Kuwaiti listed shareholding companies in accordance with Law No 19/2000 and Ministry of Finance resolution No. 24/2006 and their executive regulations. No NLST has been provided since there was no profit base on which NLST could be calculated.

22. Zakat

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

23. Earnings per share

There are no potential dilutive ordinary shares. Earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year:

	2012	2011
Net profit for the year attributable to shareholder's of the Parent Company	**815,478**	12,934
	Shares	Shares
Number of shares at beginning of the year	**255,283,718**	255,283,718
Less: weighted average number of treasury shares	**(326,970)**	(202,125)
Weighted average number of shares outstanding	**254,956,748**	255,081,593
	Fils	Fils
Earnings per share attributable to shareholders of the Paren Company	**3.20**	0.05

24. Memorandum accounts off the consolidated statement of financial position

The Parent Company manages investment portfolios and funds for others amounting to KD 1,323,033,674 as of March 31, 2012 (2011 - KD 1,310,698,305) to earn management fees. These investment portfolios are registered in the name of the Group and are not accounted in the accompanying consolidated financial statements.

25. Segment information

The Group is divided into operating segments for managing its business activities based on internal reporting provided to the chief operating decision maker as follows:

- Investment activities: Direct investment for the Group's benefit in securities, portfolios and funds
- Asset management services: Portfolio and Fund management services for clients
- Lending activities: Direct lending to others and acting as a broker in lending and borrowing activities.
- Real estate activities: Investment in real estate and managing real estate portfolios.

	2012					2011				
	Investment activities	Asset management services	Lending activities	Real estate activities	Total	Investment activities	Asset management services	Lending activities	Real estate activities	Total
Segment operating (loss) revenue	(3,790,434)	2,292,367	7,719	631,473	(858,875)	3,181,100	1,839,547	33,341	1,129,260	6,183,248
Segment operating expenses	(2,729,692)	(14,085)	(4,161)	(109,455)	(2,857,393)	(1,873,532)	(542,201)	(23,843)	(428,418)	(2,867,994)
Unallocated operating expense					(1,035,219)					(857,774)
Operating (loss) profit					(4,751,487)					2,457,480
Share of results from associates					1,493,978					2,872,856
Gain on sale of an associate					6,048,600					-
Gain on sale of an unconsolidated subsidiary					-					363,099
Gain on sale of investment properties					6,442,754					200,000
Other income					123,799					254,995
Impairment loss on investments available for sale					(7,071,301)					(4,635,496)
Provisions					(1,430,659)					(1,450,000)
Unallocated non-operating expense					(50,000)					(50,000)
Net profit for the year					805,684					12,934
Other information										
Segment assets	71,371,370	(54,897)	-	5,484,334	76,800,807	90,451,003	1,253,031	247,500	18,276,997	110,228,531
Investment in associates					13,402,537					18,180,354
Investment in unconsolidated subsidiaries					881,219					1,371,983
Unallocated assets					672,704					801,304
Total assets					91,757,267					130,582,172
Segment liabilities	30,831,004	384,754	-	-	31,215,758	63,525,787	683,116	5,000	4,680,745	68,894,648
Unallocated liabilities					2,308,806					1,999,423
Total liabilities					33,524,564					70,894,071

26. Related party transactions

The Group has entered into various transactions with related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party balances and transactions are as follows:

	2012	2011
(i) Consolidated statement of financial position		
Cash on hand and at banks	**6,977,919**	7,919,084
Accounts receivable and other debit balances	**450,176**	801,533
Loans	**30,831,004**	63,140,000
Accounts payable and other credit balances	**489,001**	1,031,231

	2012	2011
(ii) Consolidated statement of income		
Interest income	**38,834**	16,495
Fees and commission income	**-**	153,269
Finance charges	**(1,938,289)**	(1,370,153)
(iii) Compensation to key management personnel		
Short-term benefits	**310,304**	281,212
Termination benefits	**22,917**	22,657

The related party transactions are subject to approval by the shareholders of the Parent Company in the Annual General Assembly.

27. Capital commitments and contingent liabilities

	2012	2011
Letters of guarantee	**1,200,000**	5,761,960
Uncalled capital for investments	**13,796**	3,000,000
	1,213,796	8,761,960

28. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, investments, receivables, loans and payables and as a result, are exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, receivables and loans granted to others. The Group's cash at banks are placed with high credit rating financial institutions. Receivables and loans granted to others are presented net of allowance for doubtful debts.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, receivables and loans granted to others.

(i) **Maximum exposure to credit risk before collateral held or other credit enhancements**

	2012	2011
Cash at banks	**7,228,553**	9,558,329
Accounts receivable and other debit balances	**990,291**	3,979,209
Loans granted to others	**-**	247,500
	8,218,844	13,785,038

(ii) **Concentration of assets and liabilities:**

	2012		2011	
	Assets	**Liabilities**	Assets	Liabilities
State of Kuwait	**71,415,828**	**33,255,221**	91,424,729	64,934,044
Europe	**540,392**	**-**	1,138,360	-
North America	**9,843,161**	**-**	816,147	-
Africa	**3,123,612**	**768**	3,577,843	-
Asia	**6,834,274**	**268,575**	33,625,093	5,960,027
	91,757,267	**33,524,564**	130,582,172	70,894,071

b) **Liquidity risk**

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

(i) Liquidity risk management process

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

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

The maturity profile of assets and liabilities of the Group as of March 31 was as follows:

2012	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash on hand and at banks	7,228,553	-	-	-	-	7,228,553
Investments at fair value through statement of income	-	300,680	-	-	-	300,680
Accounts receivable and other debit balances	-	297,135	693,156	-	-	990,291
Investments available for sale	29,198,543	7,112,050	9,560,313	17,604,760	-	63,475,666
Investment in associates	-	-	8,247,102	5,155,435	-	13,402,537
Investment in unconsolidated subsidiaries	-	-	-	-	881,219	881,219
Investment properties	-	-	4,074,767	1,403,554	-	5,478,321
	36,427,096	7,709,865	22,575,338	24,163,749	881,219	91,757,267
Liabilities						
Loans	-	-	30,831,004	-	-	30,831,004
Accounts payable and other credit balances	-	511,924	1,869,778	311,858	-	2,693,560
	-	511,924	32,700,782	311,858	-	33,524,564

2011	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash on hand and at banks	9,559,829	-	-	-	-	9,559,829
Investments at fair value through statement of income	-	-	24,480	-	-	24,480
Accounts receivable and other debit balances	-	507,144	3,472,065	-	-	3,979,209
Loans granted to others	-	-	247,500	-	-	247,500
Investments available for sale	6,975,765	5,688,551	37,835,344	29,590,972	-	80,090,632
Investment in associates	-	-	7,922,101	10,258,253	-	18,180,354
Investment in unconsolidated subsidiaries	-	-	-	1,371,983	-	1,371,983
Investment properties	-	-	-	-	17,128,185	17,128,185
	16,535,594	6,195,695	49,501,490	41,221,208	17,128,185	130,582,172
Liabilities						
Loans	16,250,000	-	51,482,774	-	-	67,732,774
Accounts payable and other credit balances	31,524	-	2,887,575	242,198	-	3,161,297
	16,281,524	-	54,370,349	242,198	-	70,894,071

c) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices as indicated below:

i) Interest rate risk

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

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

Year	Increase / (Decrease) in interest rate	Balance on March 31	Effect on consolidated statement of income
2012			
KD Loans	**±50 basis points**	**30,831,004**	**±154,155**
SAR Loans	**±50 basis points**	**-**	**-**
2011			
KD Loans	±50 basis points	63,140,000	±315,700
SAR Loans	±50 basis points	4,592,774	±22,964

ii) Foreign currency risk

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

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

Currency	Change in foreign currency rate	Effect on consolidated statement of income	Effect on other comprehensive income
2012			
US Dollar	**±5%**	**±19,062**	**±492,158**
Qatari Riyal	**±5%**	**±361**	**±71,347**
Bahraini Dinar	**±5%**	**±3,706**	**-**
Sterling Pound	**±5%**	**±8**	**±27,020**
Saudi Riyal	**±5%**	**±389**	**±78,807**
Tunisian Dinar	**±5%**	**±437**	**±119,657**
Euro	**±5%**	**±168**	**-**
Egyptian Pound	**±5%**	**±77**	**-**
Morocco Dirhams	**±5%**	**±395**	**-**

Currency	Change in foreign currency rate	Effect on consolidated statement of income	Effect on other comprehensive income
2011			
US Dollar	±5%	±6,354	±689,025
Qatari Riyal	±5%	±382	±39,512
Bahraini Dinar	±5%	-	±66,575
Sterling Pound	±5%	±8	±43,096
UAE Dirhams	±5%	-	±38,392
Saudi Riyal	±5%	-	±78,807
Tunisian Dinar	±5%	±9,436	±126,140
Euro	±5%	±178	-
Egyptian Pound	±5%	±78	-

iii) Equity price risk

Equity price risk is a risk that the value of a financial instrument will fluctuate as a result of changes in the level of equity indices and the value of individual stocks. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The equity price risk exposure arises from the Group's investment in equity securities classified as "at fair value through income statement" and "available for sale".

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

	2012			2011		
Market index	**Change in equity price %**	**Effect on consolidated statement of income**	**Effect on other comprehensive income**	Change in equity price %	Effect on consolidated statement of income	Effect on other comprehensive income
Kuwait Stock Exchange	±5%	**±15,034**	**±1,903,805**	±5%	±1,224	±2,359,331
Tunisia Stock Exchange	±5%	-	**±119,657**	±5%	-	±126,140
Doha Stock Exchange	±5%	-	**±71,347**	±5%	-	±39,512

d) Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. At March 31, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of certain investments available for sale as indicated in Note 6.

For financial instruments that are measured in the statement of financial position at fair value; IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the group's assets and liabilities that are measured at fair value at March 31:

2012	Level 1	Level 2	Total
Investments at fair value through statement of income	**300,680**	**-**	**300,680**
Investments available for sale	**41,896,173**	**3,974,733**	**45,870,906**
Total	**42,196,853**	**3,974,733**	**46,171,586**

2011	Level 1	Level 2	Total
Investments at fair value through statement of income	24,480	-	24,480
Investments available for sale	50,499,660	6,569,197	57,068,857
Total	50,524,140	6,569,197	57,093,337

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

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

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

29. Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash on hand and at banks. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

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

	2012	2011
Loans	**30,831,004**	67,732,774
Less: cash on hand and at banks	**(7,228,553)**	(9,559,829)
Net debt	**23,602,451**	58,172,945
Total equity	**58,232,703**	59,688,101
Total capital resources	**81,835,154**	117,861,046
Gearing Ratio	**28.84%**	49.36%