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

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

CONTENTS

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

FIRST AUDIT الأول
محاسبون و مراجعون قانونيون

RSM Albazie & Co.

Public Accountants

Kuwait Airways Building, 7th Floor
Shuhada Street, P.O. Box 2115 Safat
13022 – State of Kuwait
T + 965 22410010
T + 965 22961000
F + 965 22412761
ww.albazie.com

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, 2011, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

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 21, 2011

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2011	2010
Cash on hand and at banks		**9,559,829**	2,444,825
Investments at fair value through statement of income	3	**24,480**	323,400
Accounts receivable and other debit balances	4	**3,979,209**	4,223,141
Loans granted to others	5	**247,500**	925,629
Investments available for sale	6	**80,090,632**	74,333,953
Investment in associates	7	**18,180,354**	16,531,052
Investment in unconsolidated subsidiaries	8	**1,371,983**	1,319,483
Investment properties	9	**17,128,185**	16,687,284
Total assets		**130,582,172**	116,788,767
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Loans	10	**67,732,774**	47,187,289
Accounts payable and other credit balances	11	**3,161,297**	4,042,864
Total liabilities		**70,894,071**	51,230,153
Shareholders' Equity:			
Capital	12	**25,528,372**	25,528,372
Treasury shares	13	**(53,481)**	(33,822)
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		**317,857**	334,130
Cumulative changes in fair value		**(13,216,968)**	(11,195,832)
Retained earnings		**26,895,651**	30,709,096
Total shareholders' equity		**59,688,101**	65,558,614
Total liabilities and shareholders' equity		**130,582,172**	116,788,767
Memorandum accounts off the statement of financial position	24	**1,310,698,305**	1,177,183,732

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

Ali Mousa Al-Mousa
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, 2011
(All amounts are in Kuwaiti Dinars)

	Note	2011	2010
Revenues:			
Net investment income	17	**3,154,197**	7,862,726
Interest income		**53,394**	105,315
Fees and commission income	18	**1,839,547**	2,138,205
Rental income		**1,129,260**	625,625
Share of results from associates	7	**2,872,856**	1,417,060
Gain on sale of unconsolidated subsidiary	8	**363,099**	-
Gain on sale of investment properties	9	**200,000**	-
Provision for loan no longer required	5	**6,850**	3,919
Other income		**293,295**	417,719
		9,912,498	12,570,569
Expenses and other charges:			
General and administrative expenses	19	**(2,188,443)**	(2,196,048)
Finance charges		**(1,537,325)**	(2,218,994)
Impairment loss on investments available for sale		**(4,635,496)**	(4,794,641)
Foreign exchange loss		**(38,300)**	(39,268)
Provision for accrued management fees	4	**(1,450,000)**	-
Provision for impairment on unconsolidated subsidiaries		**-**	(453,354)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		**62,934**	2,868,264
Contribution to KFAS	20	**-**	(11,644)
NLST	21	**-**	(53,209)
Zakat	22	**-**	(7,113)
Board of Directors' remuneration	16	**(50,000)**	(50,000)
Net profit for the year		**12,934**	2,746,298
		Fils	Fils
Earnings per share	23	**0.05**	10.76

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2011
(All amounts are in Kuwaiti Dinars)

	Note	2011	2010
Net profit for the year		12,934	2,746,298
Other comprehensive (loss) income:			
Investments available for sale:			
Changes in fair value of investments available for sale	6	(2,059,863)	(2,108,585)
Reversal on sale of investments available for sale		32,966	1,820,559
Reversal due to impairment of investments available for sale		5,761	-
Reversal on transfer to investment in associates		-	662,853
		(2,021,136)	374,827
Foreign currency translation adjustments		(16,273)	16,147
Other comprehensive (loss) income for the year		(2,037,409)	390,974
Total comprehensive (loss) income for the year		(2,024,475)	3,137,272

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 SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 2011
(All amounts are in Kuwaiti Dinars)

	Capital	Treasury shares	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation adjustments	Cumulative changes in fair value	Retained earnings	Total
Balance as of March 31, 2009	25,528,372	-	3,046,592	12,764,186	4,405,892	317,983	(11,570,659)	27,962,798	62,455,164
Total comprehensive income for the year	-	-	-	-	-	16,147	374,827	2,746,298	3,137,272
Purchase of treasury shares	-	(33,822)	-	-	-	-	-	-	(33,822)
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
Total comprehensive (loss) income for the year	-	-	-	-	-	(16,273)	(2,021,136)	12,934	(2,024,475)
Purchase of treasury shares	-	(19,659)	-	-	-	-	-	-	(19,659)
Cash dividends (Note 16)	-	-	-	-	-	-	-	(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**

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, 2011
(All amounts are in Kuwaiti Dinars)

	2011	2010
Cash flow from operating activities:		
Profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration	62,934	2,868,264
Adjustments to:		
Net investment income	(3,154,197)	(7,862,726)
Interest income	(53,394)	(105,315)
Share of results from associates	(2,872,856)	(1,417,060)
Gain on sale of unconsolidated subsidiary	(363,099)	-
Gain on sale of investment properties	(200,000)	-
Provision for receivables no longer required	(15,201)	-
Provision for loan no longer required	(6,850)	(3,919)
Impairment loss on investments available for sale	4,635,496	4,794,641
Provision for accrued management fees	1,450,000	-
Provision for impairment on unconsolidated subsidiaries	-	453,354
Provision for end of service indemnity	61,373	112,647
Finance charges	1,537,325	2,218,994
	1,081,531	1,058,880
Changes in operating assets and liabilities:		
Investments at fair value through statement of income	1,223,862	(272,828)
Accounts receivable and other debit balances	(603,783)	136,677
Loans granted to others	684,979	391,929
Accounts payable and other credit balances	365,603	412,742
Cash generated from operations	2,752,192	1,727,400
Payment of end of service indemnity	(17,695)	(42,350)
Paid to KFAS	(11,644)	-
Paid for Zakat	(7,113)	-
Paid for NLST	(53,209)	-
Payment of Board of Directors' remuneration	(50,000)	(50,000)
Net cash generated from operating activities	2,612,531	1,635,050
Cash flow from investing activities:		
Purchase of investments available for sale	(27,703,415)	(58,125,214)
Proceeds from sale of investments available for sale	16,475,203	71,102,126
Paid for investment in associates	(888,479)	(4,454,060)
Proceeds from sale of (paid for) investment in unconsolidated subsidiaries	310,599	(545,000)
Paid for investment properties	(2,087,020)	(19,380)
Proceeds from sale of investment properties	451,188	-
Interest received	76,373	87,340
Dividends received	3,694,938	1,795,260
Net cash (used in) generated from investing activities	(9,670,613)	9,841,072
Cash flows from financing activities:		
Net movement in loans	20,545,485	(16,995,977)
Purchase of treasury shares	(19,659)	(33,822)
Cash dividends paid	(3,798,108)	-
Finance charges paid	(2,554,632)	(646,606)
Net cash generated from (used in) financing activities	14,173,086	(17,676,405)
Net increase (decrease) in cash on hand and at banks	7,115,004	(6,200,283)
Cash on hand and at banks at the beginning of the year	2,444,825	8,645,108
Cash on hand and at banks at the end of the year	9,559,829	2,444,825

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 registered as an investment company with the Central Bank of Kuwait and 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, after the Central Bank of Kuwait's approval, is allowed to conduct some or all of its activities outside Kuwait in accordance with the rules and regulations of the Central Bank of Kuwait.

The total number of employees of the Parent Company as of March 31, 2011 is 59 (2010 - 58).

The consolidated financial statements were authorized for issue by the Board of Directors on June 21, 2011. 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 have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) 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 effective January 1, 2010:

Revised IFRS 3, 'Business Combinations' (2008)

IFRS 3 introduces significant changes in the accounting for business combinations occurring after the effective date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

Amended IAS 27, 'Consolidated and Separate Financial Statements' (2008)
IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 and IAS 27 will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interest.

IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009)'
The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The amendment did not have a material impact on the Group's consolidated financial statements.

IAS 1 (amendment), 'Presentation of financial statements'
The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendment did not have a material impact on the Group's consolidated financial statements.

IAS 7, 'Statement of Cash Flows'
The amendment is part of the IASB's annual improvements project published in April 2009. The amendment explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

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(t).

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, 2013, 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.

Others:

Amendments to IFRS 7 Disclosures	Transfers of Financial Assets
IAS 24 (revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues

b) Basis 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 2011	2010
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	100%	-
Securities Group Morocco SARL AU	Morocco	100%	-

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

c) Accounts receivable

Accounts receivable 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 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 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 receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

d) Financial assets

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

(i) Investments at fair value through statement of income

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

a) 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.

b) 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.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. The Group classifies its loans and receivables as accounts receivable and other debit balances and loans granted to others.

(iii) Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated as available for sale 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 (or 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.

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

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

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.

Loans and receivables are subject to assessment for impairment and determination is made if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, including amount recoverable from guarantee and collateral, discounted based on the original effective interest rate. The amount of loss arising from impairment is taken to the consolidated statement of income.

In addition, in accordance with Central Bank of Kuwait instructions, the Group provides a minimum general provision of 1% on cash credit facilities, net of certain restricted categories of collateral and not subject to specific provision.

e) 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 comprehensive income of the associate, less any impairment in the value of individual investments. Distributions received from an associate reduce the carrying amount of the investment.

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.

f) Investment properties

Investment properties, which are properties, held to earn rentals and / or for capital appreciation, are carried at cost, which includes purchase price and transaction 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.

g) Borrowings

Borrowings, which represent loans are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the 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

h) Accounts payable

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

i) 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.

j) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employee 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.

k) 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 shareholders' 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 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 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.

l) 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.

m) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable on the sale of investments or 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 Group 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 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 on a time-proportion basis using the effective interest method.

iv) Management fees
Management fees are recognized on accrual basis.

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

n) 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 the 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 the consolidated statement of income for the year. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through statement of income 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 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 other comprehensive income. Such translation differences are recognized in the consolidated statement of income in the period in which the foreign operation is disposed off.

o) Impairment of 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 assessments 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.

p) 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.

q) Contingencies

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

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

r) 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.

s) Financial instruments

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, investments, accounts receivable, loans granted to others, loans and accounts payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

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

t) Significant 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) Impairment losses on loans granted to others

The Group reviews loans granted to others on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

(ii) 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.

(iii) Impairment of non-financial assets

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

3. Investments at fair value through statement of income

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

The movement during the year is as follows:

	2011	2010
Balance at the beginning of the year	323,400	199,690
Additions	650,843	2,691,638
Disposals	(943,993)	(2,308,133)
Unrealized loss on investments at fair value through statement of income (Note 17)	(5,770)	(259,795)
Balance at the end of the year	24,480	323,400

4. Accounts receivable and other debit balances

	2011	2010
Accrued management fees	2,913,343	2,709,279
Due from related parties	758,585	671,226
Receivable from sale of investment properties	1,148,812	-
Accrued dividend	17,477	556,226
Other receivables	801,304	511,923
	5,639,521	4,448,654
Less: Provision for accrued management fees	(1,660,312)	(225,513)
	3,979,209	4,223,141

As of March 31, 2011, accrued management fees amounting to KD 1,660,312 (2010 – KD 225,513) were impaired and fully provided. The individually impaired accrued management fees mainly relate to managed client portfolios which are long outstanding.

The movement in the provision for accrued management fees was as follows:

	2011	2010
Balance at the beginning of the year	225,513	225,513
Charged during the year	1,450,000	-
Reversed during the year	(15,201)	-
Balance at the end of the year	1,660,312	225,513

5. Loans granted to others

	2011	2010
Loans granted	250,000	934,979
Provision for loans	(2,500)	(9,350)
	247,500	925,629

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

	2011			2010		
	General	Specific	Total	General	Specific	Total
Balance at the beginning of the year	9,350	-	9,350	13,269	-	13,269
Provision no longer required	(6,850)	-	(6,850)	(3,919)	-	(3,919)
Balance at the end of the year	2,500	-	2,500	9,350	-	9,350

The policy of the Group 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

	2011	2010
Quoted securities	50,499,660	41,150,458
Unquoted securities	25,253,465	28,540,912
Funds	4,337,507	4,642,583
	80,090,632	74,333,953

The movement during the year is as follows:

	2011	2010
Balance at the beginning of the year	74,333,953	88,665,867
Additions	27,703,415	58,125,214
Disposals	(15,257,138)	(62,350,186)
Transfer to investment in associate (Note 7)	-	(3,203,716)
Changes in fair value	(2,059,863)	(2,108,585)
Impairment loss on investments available for sale	(4,629,735)	(4,794,641)
Balance at the end of the year	80,090,632	74,333,953

Unquoted securities amounting to KD 23,021,776 (2010: KD 28,540,912) 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 24,266,100 (2010 – KD 24,341,300) were pledged with a local bank against a loan (Note 10).

Investments available for sale are denominated in the following currencies:

	2011	2010
Kuwaiti Dinar	58,459,696	47,051,106
US Dollar	13,780,505	15,857,706
Qatari Riyal	790,237	2,457,662
Bahraini Dinar	1,331,495	1,791,599
Sterling Pound	861,910	861,910
UAE Dirhams	767,848	1,848,481
Saudi Riyal	1,576,139	1,576,139
Tunisian Dinar	2,522,802	2,889,350
	80,090,632	74,333,953

7. Investment in associates

Name of the associate	Country of incorporation	Percentage of holding	2011	2010
Kuwait Saudi Pharmaceutical Industries Co. S.A.K.	Kuwait	50%	4,950,357	4,852,208
Kuwait Qatari Co. for Real Estate Development K.S.C.C	Kuwait	40.72%	4,366,643	3,860,715
Future Communication Co. K.S.C.C (a)	Kuwait	28.18%	7,922,101	7,741,629
Mizin Holding Co. B.S.C. (Closed)	Bahrain	20%	76,500	76,500
Alpha Atlantique Du Sahara S.A. (b)	Morocco	22.52%	864,753	-
			18,180,354	16,531,052

The movement during the year is as follows:

	2011	2010
Balance at the beginning of the year	16,531,052	7,793,363
Additions	888,479	5,116,913
Transfer from investment available for sale (Note 6)	-	3,203,716
Share of results from associates	2,872,856	1,417,060
Cash dividends received	(2,112,033)	(1,000,000)
Balance at the end of the year	18,180,354	16,531,052

a) During the year, the Group finalized the purchase price allocation of Future Communication Co. K.S.C.C. acquired in 2010. As a result, no material revisions were required to the Group's share in the fair value of the identifiable net assets and the provisionally assessed goodwill balance of KD 4,042,091.

The market value of the associate at the end of the reporting period is KD 7,309,217.

b) During the year, the Group acquired 22.52% equity interest and obtained significant influence in Alpha Atlantique Du Sahara S.A. – Morocco for KD 864,753.

The summarised financial information of associates was as follows:

	2011	2010
Associate's statement of financial position:		
Total assets	49,974,127	47,858,745
Total liabilities	13,561,269	14,180,457
Net assets	36,412,858	33,678,288
Associate's revenue and results:		
Revenue	56,288,127	57,437,260
Net profit for the year	5,412,406	4,343,455

8. Investment in unconsolidated subsidiaries

Subsidiary name	Country of incorporation	Percentage of ownership	2011	2010
Al- Ataya International Foods Company K.S.C.C	Kuwait	75%	875,000	875,000
Securities Group For Economic Consultants Company W.L.L.	Kuwait	100%	-	7,500
First Securities Group For Credit Fund Company W.L.L.	Kuwait	100%	-	50,000
Second Securities Group for General Trading and Contracting Company W.L.L.	Kuwait	100%	250,000	250,000
Third Securities Group For Economic Consultants Company W.L.L.	Kuwait	100%	7,500	7,500
Fourth Securities Group For Mechanical Consultants Company W.L.L.	Kuwait	50%	250,000	250,000
Fifth Securities Group For General Trading And Contracting Company W.L.L.	Kuwait	0%	-	250,000
Sixth Securities Group For Administrative Consultant Company W.L.L.	Kuwait	100%	7,500	7,500
Private Group for General Trading And Contracting Company W.L.L.	Kuwait	100%	8,000	8,000
Salamana Silver Company W.L.L.	KSA	100%	7,337	7,337
Ready Office Real Estate Company W.L.L.	Kuwait	100%	60,000	60,000
Al Malech Real Estate Company W.L.L.	Kuwait	100%	60,000	-
Al Sawab Real Estate Company W.L.L.	Kuwait	100%	60,000	-
Al Jadedeiah Real Estate Company W.L.L.	Kuwait	100%	60,000	-
Al Raha Real Estate Company W.L.L.	Kuwait	100%	60,000	-
Al Qasba Real Estate Company W.L.L.	Kuwait	100%	60,000	-
Al Sametah Real Estate Company W.L.L.	Kuwait	100%	60,000	-
			1,825,337	1,772,837
Provision for impairment on unconsolidated subsidiaries			(453,354)	(453,354)
			1,371,983	1,319,483

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

First Securities Group for Credit Fund Company W.L.L. was consolidated for the year ended March 31, 2011.

During the year ended March 31, 2011, the Parent Company sold one of its unconsolidated subsidiaries "Fifth Securities Group for General Trading and Contracting Company W.L.L." resulting in a gain of KD 363,099.

9. Investment properties

The average fair value of investment properties as of March 31, 2011 was KD 24,061,526 (2010 – KD 19,554,430) based on the valuations carried out by independent valuers.

During the year ended March 31, 2011, the Group acquired investment properties located in the Kingdom of Saudi Arabia and State of Kuwait for a total cost of KD 1,940,512 and sold the investment property located in the State of Kuwait for a consideration of KD 1,600,000 resulting in a gain of KD 200,000.

10. Loans

	2011	2010
Loans maturing within 3 months	16,250,000	2,500,000
Loans maturing from 3 months to one year	51,482,774	44,687,289
	67,732,774	47,187,289

Loans carry an annual interest rate ranging from 2.5 % to 3.5 % as of March 31, 2011 (2010 – from 2.5 % to 4.75 %).

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

	2011	2010
Due to Kuwait Clearing Company	61,130	9,633
Accrued expenses	1,362,270	2,229,355
Dividend payable	427,206	398,971
Payable to Kuwait Foundation for the Advancement of Sciences	-	11,644
National Labour Support Tax payable	-	53,209
Zakat payable	-	7,113
Provision for end of service indemnity	242,199	198,521
Due to related parties	706,973	557,335
Other payables	361,519	577,083
	3,161,297	4,042,864

12. Capital

The authorized, issued and paid up capital comprises of 255,283,718 (2010 – 255,283,718) shares of 100 fils each and all shares are paid up in cash.

13. Treasury shares

	2011	2010
Number of treasury shares	211,342	132,182
Percentage of ownership	0.08%	0.05%
Market value (KD)	53,892	32,517
Cost (KD)	53,481	33,822

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, resolved 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 cash dividends of 10 fils (2010 – 15 fils) per share. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on July 19, 2010 approved the distribution of cash dividends of 15 fils per share amounting to KD 3,826,379 and Board of Directors' remuneration amounting to KD 50,000 for the year ended March 31, 2010.

17. Net investment income

	2011	2010
Unrealized loss from investments at fair value through statement of income (Note 3)	**(5,770)**	(259,795)
Realized gain from investments at fair value through statement of income	**930,712**	110,677
Realized gain from investments available for sale	**1,185,099**	6,931,381
Dividend income	**1,044,156**	1,080,463
	3,154,197	7,862,726

18. Fees and commission income

	2011	2010
Portfolio management fees	**1,679,921**	1,880,911
Fund management fees	**153,269**	176,401
Consultancy fees	**3,750**	75,000
Incentive fees	**575**	3,169
Commission	**2,032**	2,724
	1,839,547	2,138,205

19. General and administrative expenses

	2011	2010
Staff costs	**889,448**	974,765
Management fees	**587,635**	637,092
Professional fees	**28,222**	31,247
Other expenses	**683,138**	552,944
	2,188,443	2,196,048

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

Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, 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 on which KFAS could be calculated.

21. National Labor Support Tax (NLST)

NLST is calculated at 2.5% of the profit 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. No NLST has been provided since there was no profit on which NLST could be calculated.

22. Zakat

Zakat is calculated at 1% of the profit 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. 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:

	2011	2010
Net profit for the year	**12,934**	2,746,298
	Shares	Shares
Number of shares at beginning of the year	**255,283,718**	255,283,718
Less: weighted average number of treasury shares	**(202,125)**	(117,072)
Weighted average number of shares outstanding	**255,081,593**	255,166,646
	Fils	Fils
Earnings per share	**0.05**	10.76

24. Memorandum accounts off the statement of financial position

The Parent Company manages investment portfolios and funds for others amounting to KD 1,310,698,305 as of March 31, 2011 (2010 - KD 1,177,183,732) to earn management fees. These investment portfolios are registered in the name of the Group and are not included 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.

	2011					2010				
	Investment activities	Asset management services	Lending activities	Real estate activities	Total	Investment activities	Asset management services	Lending activities	Real estate activities	Total
Segment operating revenue	3,181,100	1,839,547	33,341	1,129,260	6,183,248	7,924,893	2,138,205	57,826	614,866	10,735,790
Segment operating expenses	(1,873,532)	(542,201)	(23,843)	(428,418)	(2,867,994)	(2,513,474)	(573,925)	(40,656)	(510,068)	(3,638,123)
Unallocated operating expense					(857,774)					(776,919)
Operating profit					2,457,480					6,320,748
Share of results from associates					2,872,856					1,417,060
Gain on sale of unconsolidated subsidiary					363,099					-
Gain on sale of investment properties					200,000					-
Other income					293,295					417,719
Impairment loss on investments available for sale					(4,635,496)					(4,794,641)
Provision for accrued management fees					(1,450,000)					-
Provision for impairment on unconsolidated subsidiaries					-					(453,354)
Foreign exchange loss					(38,300)					(39,268)
Unallocated non-operating expense					(50,000)					(121,966)
Net profit for the year					12,934					2,746,298
Other information										
Segment assets	90,451,003	1,253,031	247,500	18,276,997	110,228,531	78,329,630	2,483,766	925,629	16,687,284	98,426,309
Investment in associates					18,180,355					16,531,052
Investment in unconsolidated subsidiaries					1,371,982					1,319,483
Unallocated assets					801,304					511,923
Total assets					130,582,172					116,788,767
Segment liabilities	63,525,787	683,116	5,000	4,680,745	68,894,648	43,451,299	485,808	-	5,098,907	49,036,014
Unallocated liabilities					1,999,423					2,194,139
Total liabilities					70,894,071					51,230,153

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:

	2011	2010
(i) Consolidated statement of financial position		
Cash on hand and at banks	**7,919,084**	1,576,473
Accounts receivable and other debit balances	**801,533**	871,973
Investments available for sale	**31,021,735**	28,953,312
Loans	**63,140,000**	42,094,135
Accounts payable and other credit balances	**1,031,231**	1,362,917

	2011	2010
(ii) Consolidated statement of income		
Interest income	**16,495**	7,132
Fees and commission income	**153,269**	179,569
Share of results from associates	**2,872,856**	1,417,060
Finance charges	**(1,370,153)**	(1,933,351)
(iii) Compensation to key management personnel:		
Short-term benefits	**281,212**	292,537
Termination benefits	**22,657**	93,443

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

	2011	2010
Letters of guarantee	**5,761,960**	5,576,105
Uncalled capital for investments	**3,000,000**	4,012,550
	8,761,960	9,588,655

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, accounts receivable, loans granted to others, loans and accounts payable 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 manages its credit risk with the objective of ensuring that it is well diversified and it earns a level of return appropriate to the risk it assumes.

In the normal course of business, the Group deploys its funds in credit facilities, with the primary objective of generating profits for the shareholder. However, at the same time, the Group seeks to ensure the quality of the credit facilities. The Group continually strives to achieve an optimal balance between the return and the credit quality of the portfolio.

Whenever necessary, loans granted to others are secured by acceptable forms of collateral to mitigate the related credit risks.

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

	2011	2010
Cash at banks	**9,558,329**	2,443,325
Accounts receivable and other debit balances	**3,979,209**	4,223,141
Loans granted to others	**247,500**	925,629
	13,785,038	7,592,095

(ii) Concentration of assets and liabilities:

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
State of Kuwait	**91,424,729**	**64,934,044**	69,743,527	44,289,134
Europe	**1,138,360**	-	1,138,360	-
North America	**816,147**	-	816,230	-
Africa	**3,577,843**	-	2,899,350	-
Asia	**33,625,093**	**5,960,027**	42,191,300	6,941,019
	130,582,172	**70,894,071**	116,788,767	51,230,153

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, 2011 was as follows:

	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

The maturity profile of assets and liabilities of the Group as of March 31, 2010 was as follows:

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash on hand and at banks	2,444,825	-	-	-	-	2,444,825
Investments at fair value through statement of income	-	323,400	-	-	-	323,400
Accounts receivable and other debit balances	-	-	4,223,141	-	-	4,223,141
Loans granted to others	-	-	925,629	-	-	925,629
Investments available for sale	-	-	-	74,333,953	-	74,333,953
Investment in associates	-	-	-	16,531,052	-	16,531,052
Investment in unconsolidated subsidiaries	-	-	-	1,319,483	-	1,319,483
Investment properties	-	-	-	-	16,687,284	16,687,284
	2,444,825	323,400	5,148,770	92,184,488	16,687,284	116,788,767
Liabilities						
Loans	2,500,000	-	44,687,289	-	-	47,187,289
Accounts payable and other credit balances	9,633	-	3,834,710	198,521	-	4,042,864
	2,509,633	-	48,521,999	198,521	-	51,230,153

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
2011			
KD Loans	±50 basis points	63,140,000	±315,700
SAR Loans	±50 basis points	4,592,774	±22,964
2010			
KD Loans	±50 basis points	42,094,135	± 210,471
USD Loan	±50 basis points	5,093,154	± 25,466

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
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	-

Currency	Change in foreign currency rate	Effect on consolidated statement of income	Effect on other comprehensive income
2010			
US Dollar	±5%	±9,055	±935,838
Qatari Riyal	±5%	±6,342	±122,251
Bahraini Dinar	±5%	-	±89,580
Sterling Pound	±5%	±1,737	±43,096
UAE Dirhams	±5%	-	±92,424
Saudi Riyal	±5%	-	±78,807
Euro	±5%	±234	-
Egyptian Pound	±5%	±92	-

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:

	2011			2010		
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%	±1,224	±2,359,331	±5%	±15,170	±1,790,804
Tunisia Stock Exchange	±5%	-	±126,140	±5%	-	±144,468
Doha Stock Exchange	±5%	-	±39,512	±5%	-	±122,251

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:

Assets	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

Assets	Level 1	Level 2	Total
Investments at fair value through statement of income	323,400	-	323,400
Investments available for sale	41,150,458	4,642,583	45,793,041
Total	41,473,858	4,642,583	46,116,441

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:

	2011	2010
Loans	67,732,774	47,187,289
Less: cash on hand and at banks	(9,559,829)	(2,444,825)
Net debt	58,172,945	44,742,464
Total equity	59,688,101	65,558,614
Total capital resources	117,861,046	110,301,078
Gearing Ratio	49.36%	40.56%