First Qatar Real Estate Development Company K.S.C. (Closed)

FINANCIAL STATEMENTS

31 DECEMBER 2011

Ernst & Young

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

Report on the Financial Statements

We have audited the accompanying financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) (the "Company"), which comprise the statement of financial position as at 31 December 2011, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

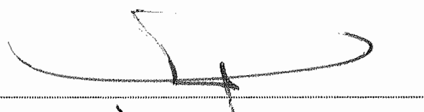
Opinion

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Company's board of directors relating to these 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 financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Company's articles of association and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the Company's articles of association, as amended, have occurred during the year ended 31 December 2011 that might have had a material effect on the business of the Company or on its financial position.



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

22 April 2012
Kuwait

STATEMENT OF INCOME

Year ended 31 December 2011

	Notes	*2011* *KD*	*2010* *KD*
Rental income		**432,962**	366,543
Properties operating expense		**(378,947)**	(103,518)
Net rental income		**54,015**	263,025
Change in fair value of investment properties	10	**(190,677)**	1,348,353
Gain on sale of investment properties		**790,000**	-
Net gain on investment properties		**599,323**	1,348,353
Sales of inventory properties		**5,943,618**	18,134,114
Cost of sales – inventory properties	11	**(4,983,945)**	(17,717,741)
Profit on sale of inventory properties		**959,673**	416,373
Loss on sale of financial assets carried at fair value through profit or loss		**(74,139)**	(215,211)
Unrealised loss on financial assets carried at fair value through profit or loss		**(1,258,932)**	(1,493,878)
Share of results of associates	9	**3,707**	828
Impairment of investment in an associate	9	**(79,500)**	-
Dividend income		**250,648**	103,198
Net investment loss		**(1,158,216)**	(1,605,063)
Administrative expenses		**(1,327,791)**	(1,420,001)
Operating loss		**(872,996)**	(997,313)
Finance costs		**(315,000)**	(312,155)
Foreign exchange gain		**133,347**	141,923
Other income		**12,971**	1,332
LOSS FOR THE YEAR	5	**(1,041,678)**	(1,166,213)
BASIC AND DILUTED LOSS PER SHARE	6	**(2.1) fils**	(2.3) fils

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

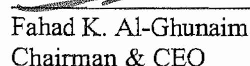
	Note	***2011 KD***	*2010 KD*
Loss for the year		**(1,041,678)**	(1,166,213)
Other comprehensive income:			
Exchange difference on translation of foreign operations	9	**(5,669)**	(17,927)
Other comprehensive loss for the year		**(5,669)**	(17,927)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,047,347)**	(1,184,140)

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

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	*2011* *KD*	*2010* *KD*
ASSETS			
Non-current assets			
Property and equipment	7	**247,132**	357,005
Properties under development	8	**25,285,226**	25,172,293
Investment in associates	9	**163,265**	244,727
Investment properties	10	**8,624,228**	13,167,596
		34,319,851	38,941,621
Current assets			
Inventory properties	11	**9,903,390**	14,887,335
Financial assets carried at fair value through profit or loss	12	**6,963,256**	8,765,688
Accounts receivable and prepayments	13	**2,933,128**	2,381,287
Cash and cash equivalents	14	**5,894,470**	1,018,263
		25,694,244	27,052,573
TOTAL ASSETS		**60,014,095**	65,994,194
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**50,000,000**	50,000,000
Statutory reserve	16	**302,662**	1,238,230
General reserve	17	**-**	1,238,230
Foreign currency translation reserve		**(43,656)**	(37,987)
Accumulated deficit		**-**	(1,132,120)
Total equity		**50,259,006**	51,306,353
Non-current liabilities			
Employees' end of service benefits		**75,629**	73,407
Current liabilities			
Accounts payable and accruals	18	**4,759,309**	7,379,634
Deferred revenue	19	**420,151**	2,260,040
Murabaha payable	20	**4,500,000**	4,500,000
Short term loan	21	**-**	474,760
		9,679,460	14,614,434
Total liabilities		**9,755,089**	14,687,841
TOTAL EQUITY AND LIABILITIES		**60,014,095**	65,994,194



Fahad K. Al-Ghunaim
Chairman & CEO

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Share capital KD	*Statutory reserve KD*	*General reserve KD*	*Foreign currency translation reserve KD*	*Accumulated deficit KD*	*Total KD*
Balance at 1 January 2011	50,000,000	1,238,230	1,238,230	(37,987)	(1,132,120)	51,306,353
Loss for the year	-	-	-	-	(1,041,678)	(1,041,678)
Other comprehensive loss	-	-	-	(5,669)	-	(5,669)
Total comprehensive loss for the year	-	-	-	(5,669)	(1,041,678)	(1,047,347)
Offsetting of accumulated losses (Note 16 & 17)	-	(935,568)	(1,238,230)	-	2,173,798	-
Balance at 31 December 2011	**50,000,000**	**302,662**	-	**(43,656)**	-	**50,259,006**
Balance at 1 January 2010	50,000,000	1,238,230	1,238,230	(20,060)	34,093	52,490,493
Loss for the year	-	-	-	-	(1,166,213)	(1,166,213)
Other comprehensive loss	-	-	-	(17,927)	-	(17,927)
Total comprehensive loss for the year	-	-	-	(17,927)	(1,166,213)	(1,184,140)
Balance at 31 December 2010	50,000,000	1,238,230	1,238,230	(37,987)	(1,132,120)	51,306,353

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	*2011* *KD*	*2010* *KD*
OPERATING ACTIVITIES			
Loss for the year		**(1,041,678)**	(1,166,213)
Non-cash adjustments to reconcile loss for the year to net cash flows:			
Depreciation	7	**125,324**	139,627
Provision for employees' end of service benefits		**8,358**	24,133
Profit on sale of inventory properties		**(959,673)**	(416,373)
Change in fair value of investment properties	10	**190,677**	(1,348,353)
Gain on sale of investment properties		**(790,000)**	-
Loss on sale of financial assets carried at fair value through profit or loss		**74,139**	215,211
Unrealised loss on financial assets carried at fair value through profit or loss		**1,258,932**	1,493,878
Share of results of associates	9	**(3,707)**	(828)
Impairment of an associate	9	**79,500**	-
Dividend income		**(250,648)**	(103,198)
Finance costs		**315,000**	312,155
Gain on disposal of property and equipment		**(1,629)**	-
		(995,405)	(849,961)
Working capital adjustments:			
Inventory properties		**5,943,618**	15,702,947
Accounts receivable and prepayments		**(551,841)**	10,986,832
Accounts payable and accruals		**(2,620,325)**	(1,097,379)
Deferred revenue		**(1,839,889)**	(24,678,076)
Cash (used in) from operations		**(63,842)**	64,363
Employees' end of service benefits paid		**(6,136)**	(14,469)
Net cash flows (used in) from operating activities		**(69,978)**	49,894
INVESTING ACTIVITIES			
Purchase of property and equipment	7	**(21,540)**	(37,667)
Proceeds from disposal of property and equipment		**7,718**	-
Purchase of investment properties	10	**(127,309)**	-
Proceeds from sale of investment properties		**5,270,000**	-
Additions to properties under development	8	**(112,933)**	(1,399,543)
Purchase of financial assets carried at fair value through profit or loss		**(113,013)**	(1,245,404)
Proceeds from sale of financial assets carried at fair value through profit or loss		**582,374**	2,176,653
Dividend income received		**250,648**	103,198
Net cash flows from (used in) investing activities		**5,735,945**	(402,763)
FINANCING ACTIVITIES			
(Repayment of) proceeds from short term loans		**(474,760)**	474,760
Finance costs paid		**(315,000)**	(317,808)
Net cash flows (used in) from financing activities		**(789,760)**	156,952
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,876,207**	(195,917)
Cash and cash equivalents at the beginning of the year		**1,018,263**	1,214,180
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	**5,894,470**	1,018,263

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

1 CORPORATE INFORMATION AND ACTIVITIES

The financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) ("the Company") for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 22 April 2012. The ordinary general assembly of the shareholders of the Company has the power to amend these financial statements after their issuance.

The financial statements of the Company for the year ended 31 December 2010 were approved by the shareholders at the annual general meeting held on 26 May 2011.

The Company is a closed shareholding Company registered and incorporated in Kuwait on 11 May 2004 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. Its registered office is at Kuwait, Abu Baker Al Sideek St. Gulf Tower, 18th Floor, Al Qibla, Block 14.

The Company's main licensed activities are acquisition and lease of patent rights, trade and industrial marks, ownership of real estate properties within the limits permitted by law and investment of surplus funds in securities and properties managed by specialized entities.

2.1 BASIS OF PREPARATION

Basis of preparation
The financial statements are prepared under the historical cost convention as modified for the revaluation at fair value of investment properties and financial assets carried at fair value through profit or loss.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these financial statements are consistent with those used in previous year, except for the adoption of the following new and amended IASB Standards:

During the year, the Company has adopted the following new and amended IFRS as of 1 January 2011:

IAS 24 Related Party Transactions (Amendment)
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

Improvements to IFRSs
In May 2010, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company:

IFRS 7 *Financial Instruments — Disclosures*
IAS 1 *Presentation of Financial Statements*

Other amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Company.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of inventory properties
A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term.

Dividend income
Dividend income is recognised when the Company's right to receive payment is established.

Operating leases – Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	10 years
Furniture and office equipment	4 to 5 years
Computers	4 years
Vehicles	5 years

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of income as the expense is incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Properties under development
Properties under development for future use as inventory properties are stated at cost less any impairment in value.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates
The Company's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the statement of income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

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

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

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

Investment properties are derecognised 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. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of income in the year of retirement or disposal.

Gains or losses on the disposal of investment properties are determined as difference between net disposal proceeds and carrying value of the asset in the previous full period financial statements.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Inventory properties
Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost comprises the purchase cost of the property and other costs incurred in association with the construction or development of property to bring it to the condition necessary to make the sale.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Cash and cash equivalents
For the purpose of the statement of cash flow, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of bank overdrafts.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement
Financial assets within scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

The Company's financial assets include investments at fair value through profit or loss, receivables, cash and cash equivalents, At 31 December, the Company did not have any held-to-maturity investments or financial assets available for sale, or as derivatives instruments.

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

Financial assets carried at fair value through profit or loss
Financial assets carried at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses of investment held for trading are recognized in the statement of income. Financial assets are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of income.

Receivables
Accounts receivable are shown at the balance due, net of provisions for an uncollectible amount. An estimate for doubtful debts is made, when collection of full amount is no longer. Bad debts are written off as incurred.

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

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

(ii) Impairment of financial assets

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment of financial assets

Financial assets carried at amortised cost
Financial assets carried at amortised cost for financial assets carried at amortised cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

(iii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company's financial liabilities include accounts payable, murabaha payable and short term loan. At 31 December, the Company did not have any financial liabilities at fair value through profit or loss or as derivatives instruments.

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

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

Murabaha payable
Murabaha payable represents the amount payable, on a deferred settlement basis, for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iii) Financial liabilities (continued)

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

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

(iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instrument not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

i. Using recent arm's length market transactions
ii. Reference to the current fair value of another instrument that is substantially the same
iii. A discounted cash flow analysis or other valuation models.

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

Employees' end of service benefits
The Company provides end of service benefits for its expatriate employees. The entitlement to those benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to social security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currencies translation

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
As at the reporting date, the carrying amount of foreign associates is translated into the Company's presentation currency at the rate of exchange ruling at the reporting date, and the share of results from associates are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign associate, the deferred cumulative amount recognized in equity relating to the particular foreign associate is the recognized in the statement of income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingencies
Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements, but are disclosed when an inflow of economic benefits is probable.

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IASB standards relevant to the Company have been issued but are not yet mandatory, and have yet not been adopted by the Company:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

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

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

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

In the process of applying the Company's accounting policies, management has made the following judgments, estimation and assumptions which have the most significant effect on the amounts recognised in the financial statements:

Classification of investments
Management decides on acquisition of investments whether it should be classified as financial assets carried at fair value through profit or loss or financial assets available for sale.

The Company classifies financial assets as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through profit or loss depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as financial assets at fair value through profit or loss. All other investments are classified as financial assets available for sale.

Classification of property
The Company determines whether a property is classified as investment property or inventory property:

Investment property comprises properties which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Company develops and intends to sell on completion of construction.

Estimation of net realisable value for inventory properties
Inventory properties are stated at the lower of cost and net realisable value (NRV).

NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company having taken suitable external advice and also in the light of recent market transactions.

NRV in respect of inventory property under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Valuation of unquoted investments
Valuation of unquoted investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- earnings multiple;
- expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted investments requires estimation.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property and equipment
A decline in the value of property and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:
- significant decline in the market value beyond that which would be expected from the passage of time or normal use
- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Valuation of investment properties
The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Company assets.

5 LOSS FOR THE YEAR

Losses for the year are stated after charging:

	2011	*2010*
	KD	*KD*
Staff costs	**551,271**	600,217
Rent	**91,118**	50,820

6 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted loss per share is calculated by dividing the loss by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 December, the Company did not had any dilutive shares.

The information necessary to calculate basic loss per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2011	*2010*
	KD	*KD*
Loss for the year	**(1,041,678)**	(1,166,213)
Weighted average number of ordinary shares outstanding during the year	**500,000,000**	500,000,000
Basic and diluted loss per share	**(2.1) fils**	(2.3) fils

7 PROPERTY AND EQUIPMENT

	Leasehold improvements KD	*Furniture and office equipment KD*	*Computers KD*	*Vehicles KD*	*Work in progress KD*	*Total KD*
Cost:						
At 1 January 2011	154,674	186,339	306,057	32,280	25,151	704,501
Additions	19,962	424	1,154	-	-	21,540
Transfers	-	-	25,151	-	(25,151)	-
Disposal	-	-	-	(19,800)	-	(19,800)
At 31 December 2011	174,636	186,763	332,362	12,480	-	706,241
Depreciation:						
At 1 January 2011	85,483	71,696	172,030	18,287	-	347,496
Depreciation	32,271	21,999	65,922	5,132	-	125,324
Depreciation on disposal	-	-	-	(13,711)	-	(13,711)
At 31 December 2011	117,754	93,695	237,952	9,708	-	459,109
Net carrying value						
At 31 December 2011	**56,882**	**93,068**	**94,410**	**2,772**	-	**247,132**

	Leasehold improvements KD	*Furniture and office equipment KD*	*Computers KD*	*Vehicles KD*	*Work in progress KD*	*Total KD*
Cost:						
At 1 January 2010	154,674	148,672	306,057	32,280	25,151	666,834
Additions	-	37,667	-	-	-	37,667
At 31 December 2010	154,674	186,339	306,057	32,280	25,151	704,501
Depreciation:						
At 1 January 2010	54,127	49,893	92,018	11,831	-	207,869
Depreciation	31,356	21,803	80,012	6,456	-	139,627
At 31 December 2010	85,483	71,696	172,030	18,287	-	347,496
Net carrying value						
At 31 December 2010	69,191	114,643	134,027	13,993	25,151	357,005

The depreciation charge for the year has been charged to the statement of income as part of administrative expenses.

8 PROPERTIES UNDER DEVELOPMENT

	2011 *KD*	*2010* *KD*
Cost at the beginning of the year	**25,172,293**	23,772,750
Additions	**112,933**	1,399,543
Cost at the end of the year	**25,285,226**	25,172,293

Properties under development represent 1 plot of lands located in Pearl Island, Qatar and are currently under development for future sale as inventory properties.

Properties under development comprise development costs and land of KD 2,615,757 and KD 22,669,469 (2010: KD 2,502,824 and KD 22,669,469) respectively.

At 31 December 2011, the fair value of the land amounting to KD 23,464,537 (2010: KD 22,919,010) has been determined by an accredited independent valuator.

9 INVESTMENT IN ASSOCIATES

Details of associated companies are set out below:

Name	*Country of Incorporation*	*Interest in equity* *2011*	*2010*	*Principal activities*
Qatar Real Estate Investment W.L.L.	Qatar	**50%**	50%	Investments in real estate developing activities.
Wind Stone International GmbH	Germany	**49%**	49 %	Construction engineering and related management services.

The movement in the carrying amount of investment in associates is as follows:

	2011 *KD*	*2010* *KD*
Balance at the beginning of the year	**244,727**	261,826
Share of results of associates	**3,707**	828
Foreign exchange translation adjustment	**(5,669)**	(17,927)
Impairment loss	**(79,500)**	-
Balance at the end of the year	**163,265**	244,727

The following table illustrates summarised financial information of the associates as at 31 December:

	2011 *KD*	*2010* *KD*
Share of associates statement of financial position:		
Current assets	**54,495**	131,386
Noncurrent assets	**153,952**	208,470
Current liabilities	**(45,182)**	(48,189)
Noncurrent liabilities	**-**	(46,940)
Equity	**163,265**	244,727
Share of associates revenue and results:		
Revenue	**130,654**	99,978
Results	**3,707**	828

9 INVESTMENT IN ASSOCIATES (continued)

As at 31 December 2011, Qatar Real Estate Investment W.L.L. was running into losses and experiencing financing problems, therefore the management of the Company decided to impair the carrying value of this investment of KD 79,500 (2010: KD Nil).

The share of Wind Stone International GmbH results for the year ended 31 December has been accounted for based on management accounts.

The fair value of investment in associates could not be reliably measured as the associates are unquoted and they do not have published quoted prices.

10 INVESTMENT PROPERTIES

	2011	*2010*
	KD	*KD*
Balance at 1 January	**13,167,596**	11,819,243
Additions	**127,309**	-
Disposals	**(4,480,000)**	-
Change in fair value	**(190,677)**	1,348,353
Balance at 31 December	**8,624,228**	13,167,596

The fair value of the investment properties amounting to KD 8,624,228 (2010: KD 13,167,596) has been determined based on valuations performed by an accredited independent valuator.

Certain investments properties with carrying value amounting KD Nil (2010: KD 4,480,000) are pledged against Murabaha payable (Note20).

11 INVENTORY PROPERTIES

	2011	*2010*
	KD	*KD*
Balance at 1 January	**14,887,335**	30,173,909
Construction costs incurred	-	2,431,167
Disposals (recognised in cost of sales)	**(4,983,945)**	(17,717,741)
Balance at 31 December	**9,903,390**	14,887,335

Inventory properties of KD Nil (2010: KD 9,076,235) were pledged against short-term loan (Note 21).

As at 31 December 2011, the fair value of trading properties amounting to KD 11,466,409(2010: KD 16,303,268), has been determined by management using average market prices of similar inventory properties sold during the year.

12 FINIACIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	*2010*
	KD	*KD*
Held for trading:		
Investment portfolio (mainly including local quoted equity securities)	**6,469,229**	8,238,688
Local quoted equity securities	**494,027**	527,000
	6,963,256	8,765,688

The investment portfolio is managed by a related party (Note 22).

Certain investments with carrying value amounting of KD 4,306,376 (2010: KD 4,696,294) are pledged against Murabaha payable (Note 20).

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 *KD*	*2010* *KD*
Trade receivables	**2,294,822**	1,648,214
Notes receivable	**386,457**	490,684
Advances to contractors	**14,785**	23,246
Due from related party (Note 22)	**-**	106,120
Other receivables	**237,064**	113,023
	2,933,128	2,381,287

As at 31 December 2011 and 31 December 2010, trade receivables at initial value of KD 5,808,575 were impaired and fully provided for.

As at the end of the year, the ageing of unimpaired trade receivables and notes receivable are as follows:

			Past due but not impaired		
	Total *KD*	*Neither past due nor impaired* *KD*	*30 – 60 days* *KD*	*60 – 90 day* *KD*	*More than 90 days* *KD*
2011	**2,681,279**	**2,195,044**	**-**	**-**	**486,235**
2010	2,138,898	2,088,634	-	-	50,264

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

14 CASH AND CASH EQUIVALENTS

	2011 *KD*	*2010* *KD*
Cash in hand and at banks	**5,824,612**	701,668
Short-term deposits	**-**	315,000
Cash with portfolio manager (Note 22)	**69,858**	1,595
	5,894,470	1,018,263

Short-term deposits are denominated in local currency and earn an average interest rate of Nil % (2010: 1.50%) per annum.

15 SHARE CAPITAL

	Authorised, issued and fully paid	
	2011 ***KD***	*2010* *KD*
500 million shares of 100 fils each (all shares were paid in cash)	**50,000,000**	50,000,000

16 STATUTORY RESERVE

As required by the Kuwait Law of Commercial Companies and the Company's articles of association. 10% of the profit for the year should be transferred to statutory reserve. No transfer has been made to statutory reserve since losses have been incurred during the year.

The board of directors proposed to offset the accumulated losses of the Company on 19 April 2012 amounting to KD 935,568 (2010: KD Nil) against the statutory reserve, and is subject to the shareholder's approval at the annual general meeting for the year ended 31 December 2011.

The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

17 GENERAL RESERVE

As required by the Company's articles of association. 10% of the profit for the year should be transferred to general reserve. No transfer has been made to general reserve since losses have been incurred losses during the year.

The board of directors proposed to offset the accumulated losses of the Company on 19 April 2012, amounting to KD 1,238,230 (2010: KD Nil) against the general reserve, and is subject to the shareholder's approval at the annual general meeting for the year ended 31 December 2011.

18 ACCOUNTS PAYABLE AND ACCRUALS

	2011	*2010*
	KD	*KD*
Retention payables	**569,032**	1,283,771
Payable towards acquisition of properties under development	**2,488,576**	2,506,761
Payable to contractors	**523,801**	1,635,591
Accrued expenses and other payables	**884,838**	899,871
Due to related party (Note 22)	**8,200**	200,958
Payables towards cancelled units	**284,862**	852,682
	4,759,309	7,379,634

19 DEFERRED REVENUE

Deferred revenue represents future revenue from the sale of residential units which shall be recognised in the statement of income when the units are delivered to the customers.

20 MURABAHA PAYABLE

	2011	*2010*
	KD	*KD*
Gross amount	**4,743,063**	4,759,579
Less: deferred profit payable	**(243,063)**	(259,579)
	4,500,000	4,500,000

Murabaha payable represents an arrangement with a local Islamic financial institution and bears an effective profit rate of 7% (2010:7 %) per annum and is repayable on 13 March 2012.

Murabaha payable is secured by certain investment properties and investments. (Notes 10 and 12).

21 SHORT TERM LOAN

Currency	*Effective interest rate*	*Maturity*	***2011 KD***	*2010 KD*
Qatari Riyal	3.05% per annum over the National Bank of Qatar discount rate.	February 2011	-	474,760

Short-term loan was secured by certain inventory properties (Note 11).

22 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. major shareholders, directors and senior management of the Company, and companies of which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Company's management.

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

	Others KD	***Shareholders KD***	***2011 KD***	*2010 KD*
Investment in associates	**163,265**	-	**163,265**	244,727
Due from related party (Note 13)	-	-	-	106,120
Cash and cash equivalents (Note 14)	-	**69,858**	**69,858**	1,595
Due to related party (Note 18)	**8,200**	-	**8,200**	200,958

Key management personnel compensation	**2011**	2010
Short-term employee benefits	**258,656**	242,466
End of services benefits	**7,298**	6,982

Amounts due from/to related parties disclosed in Notes 13 and 18 are interest free and receivables or payables within one year from the reporting date.

Certain investments with carrying value amounting of KD 4,306,376 (2010: KD 4,696,294) are pledged against Murabaha payable (Note 12).

The investment portfolio is managed by a related party (Note 12).

23 EXPENDITURE COMMITMENTS

At 31 December 2011, the Company had capital commitments of KD 64,185 (2010: KD 435,823) in respect of the real estate development projects.

24 RISK MANAGEMENT

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

The main risks arising from the Company's activities are credit risk, liquidity risk and market risk. Market risk is subdivided into interest risk, currency risk and equity price risk. No changes were made in the risk management objectives and policies during the year ended 31 December 2011 and 31 December 2010. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

24 RISK MANAGEMENT (continued)

24.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to amounts appearing on the statement of financial position.

The Company's assets can be analysed as follows:

	2011 ***KD***	*2010* *KD*
Banks balances	**5,894,470**	1,018,263
Accounts receivable	**2,915,520**	2,381,287
Total credit risk exposure	**8,809,990**	3,399,550

24.2 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

31 December 2011 **Financial liabilities**	***Less than 3 months KD***	***3 to 12 Months KD***	***Total KD***
Retention payables	-	569,032	569,032
Payable towards acquisition of properties under development	-	2,488,576	2,488,576
Payable to contractors	-	523,801	523,801
Accrued expenses and other payables	393,245	491,593	884,838
Murabaha payable	4,743,063	-	4,743,063
	5,136,308	**4,073,002**	**9,209,310**

31 December 2010 Financial liabilities	*Less than 3 months KD*	*3 to 12 Months KD*	*Total KD*
Retention payables	-	1,283,771	1,283,771
Payable towards acquisition of properties under development	166,249	2,340,512	2,506,761
Payable to contractors	-	1,635,591	1,635,591
Accrued expenses and other payables	347,230	552,641	899,871
Murabaha payable	-	4,759,579	4,759,579
Short-term loan	483,201	-	483,201
	996,680	10,563,652	11,560,332

24.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest/profit rate risk, currency risk, and equity price risk.

24 RISK MANAGEMENT (continued)

24.3.1 Interest/profit rate risk

Interest/profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates.

The Company is not significant exposed to interest/profit rate risk as majority of its interest bearing assets and liabilities are stated at fixed rate. Effective interest/profit rates are disclosed in notes 14, 20 and 21.

24.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge foreign currency exposures.

The effect on loss (due to change in the fair value of monetary assets and liabilities) as a result of change in currency rate, with all other variables held constant is shown below:

Currency	***2011***		*2010*	
	Change in currency rate in % (+/-)	***Effect on loss for the year (+/-) KD***	*Change in currency rate in % (+/-)*	*Effect on loss for the year (+/-) KD*
US Dollar	+/-5%	**159,036**	+-5%	159,654

The Qatari Riyal and Kuwaiti Dinars both correlate closely to the US Dollar and balances denominated in Qatari Riyal are not considered to represent significant currency risk.

24.3.3 EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Company manages the risk through diversification of investments in terms of geographic distribution and industry concentration.

The effect of equity price risk on profit of the Company as a result of a change in the fair value of equity instruments held as financial assets carried at fair value through profit or loss at the year-end due to an assumed *(+/-)*5% change in market prices, with all other variables held constant, is as follows:

	Change in fair value in % (+/-)	***2011 Effect on loss for the year KD***	*2010 Effect on loss for the year KD*
Increase in market prices	+-5%	**199,625**	309,391

25 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains sufficient capital in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions.

No changes were made in the objectives, policies or processes during the year ended 31 December 2011 and 31 December 2010. Capital comprises share capital, statutory reserve, general reserve and accumulated deficit, and is measured at KD 50,302,662 as at 31 December 2011 (2010: KD 51,344,340).

26 SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real estate investing activities comprise investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.
- Equity and other investing activities comprise participation in financial and real estate funds and managing the Group's liquidity requirements.

Year ended 31 December 2011	***Real estate investing activities KD***	***Equities and other investing activities KD***	***Unallocated KD***	***Total KD***
Segment revenue	**6,376,580**	**254,355**	**-**	**6,630,935**
Segment results				
Segment profit (loss)	**1,613,011**	**(1,158,216)**	**(1,496,473)**	**(1,041,678)**
As at 31 December 2011				
Segment assets	**46,550,672**	**7,126,521**	**6,336,902**	**60,014,095**
Segment liabilities	**4,465,934**	**-**	**5,289,155**	**9,755,089**

Year ended 31 December 2010	*Real estate investing activities KD*	*Equities and other investing activities KD*	*Unallocated KD*	*Total KD*
Segment revenue	19,745,492	104,026	-	19,849,518
Segment results				
Segment profit (loss)	2,027,751	(1,605,063)	(1,588,901)	(1,166,213)
As at 31 December 2010				
Segment assets	55,389,368	9,010,415	1,594,411	65,994,194
Segment liabilities	8,731,234	-	5,956,607	14,687,841

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

Financial assets consist of investments, receivables and cash and cash equivalents. Financial liabilities consist of payables and accruals and murabaha payable and short-term loan.

The fair values of financial instruments are not materially different from their carrying values.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy
As at 31 December 2011, the Company held the following financial instruments measured at fair value:

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2011	*Level: 1* *KD*	*Level: 2* *KD*	*Level: 3* *KD*	*Total fair value* *KD*
Financial assets carried at fair value through profit or loss	**4,463,256**	**-**	**2,500,000**	**6,963,256**

2010	*Level: 1* *KD*	*Level: 2* *KD*	*Level: 3* *KD*	*Total fair value* *KD*
Financial assets carried at fair value through profit or loss	6,265,688	-	2,500,000	8,765,688

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