Gulf Takaful Insurance Company K.S.C. (Closed)
State of Kuwait

Consolidated financial statements and independent auditor's report for the year ended 31 December 2012

Contents ***Page***

KPMG

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Independent auditor's report

The Shareholders
Gulf Takaful Insurance Company K.S.C. (Closed)
State of Kuwait

Report on the financial statements

We have audited the accompanying consolidated financial statements of Gulf Takaful Insurance Company K.S.C. (Closed) ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, 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, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 25 of 2012, as amended, and the Company's Articles and Memorandum of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the Board of Directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2012, of the Companies Law No. 25 of 2012, as amended, or the Company's Articles and Memorandum of Association, that would materially affect the Company's activities or its consolidated financial position.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 18 June 2013

Gulf Takaful Insurance Company K.S.C. (Closed)
State of Kuwait

Consolidated statement of financial position
as at 31 December 2012

	Note	2012 KD	2011 KD
Assets			
Cash and cash equivalents	*5*	921,629	915,408
Investment deposits	*6*	4,072,260	4,372,260
Investments at fair value through profit or loss	*7*	1,554,294	2,378,290
Available-for-sale investments	*8*	3,122,236	3,931,169
Qard Hassan to participants	*9*	3,120,269	2,799,643
Accounts receivable	*10*	89,117	88,212
Property and equipment		45,743	60,091
Intangible assets		13,206	20,749
Total assets		12,938,754	14,565,822
Liabilities and equity			
Liabilities			
Accounts payable	*11*	118,657	128,728
Due to related parties	*17*	42,979	40,240
Provision for employees' end of service indemnity	*15*	361,917	315,820
Total liabilities		523,553	484,788
Equity			
Share capital	*12*	14,032,412	15,106,500
Statutory reserve	*13*	-	342,596
Voluntary reserve	*14*	-	342,596
Change in fair value reserve		112,657	48,622
Accumulated losses		(1,729,868)	(1,759,280)
Total equity		12,415,201	14,081,034
Total liabilities and equity		12,938,754	14,565,822

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

Bader Sulaiman Al-Othman
Chairman

Nasser Sulaiman Al-Drbas
Vice Chairman and CEO

Gulf Takaful Insurance Company K.S.C. (Closed)
State of Kuwait

Consolidated statement of income
for the year ended 31 December 2012

	2012 KD	2011 KD
Income		
Investment deposits income	76,114	30,127
Losses from investments at fair value through profit or loss	(823,996)	(203,806)
Gain on sale of available-for-sale investments	-	34,705
Impairment loss on available-for-sale investments	(872,969)	(180,787)
Dividends	5,991	137,865
Other income	11,980	882,232
	(1,602,880)	700,336
Expenses		
General and administrative	(82,384)	(268,459)
Staff costs	(44,604)	(53,161)
Zakat	-	(3,787)
	(126,988)	(325,407)
Net (loss)/ profit for the year	(1,729,868)	374,929

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

Gulf Takaful Insurance Company K.S.C. (Closed)
State of Kuwait

Consolidated statement of comprehensive income
for the year ended 31 December 2012

	2012 KD	2011 KD
Net (loss)/ profit for the year	(1,729,868)	374,929
Other comprehensive income		
Fair value reserve (available-for-sale investments):		
Net change in fair value	64,035	(18,056)
Net amount transferred to profit or loss	-	(63,942)
Other comprehensive income/ (loss) for the year	64,035	(81,998)
Total comprehensive (loss)/ income for the year	(1,665,833)	292,931

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

Gulf Takaful Insurance Company K.S.C. (Closed)
State of Kuwait

Consolidated statement of changes in equity
for the year ended 31 December 2012

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Change in fair value reserve KD	Accumulated losses KD	Total KD
Balance at 1 January 2011	15,106,500	342,596	342,596	130,620	(2,134,209)	13,788,103
Total comprehensive income for the year						
Net income for the year	-	-	-	-	374,929	374,929
Other comprehensive loss	-	-	-	(81,998)	-	(81,998)
Total comprehensive income for the year	-	-	-	(81,998)	374,929	292,931
Balance at 31 December 2011	15,106,500	342,596	342,596	48,622	(1,759,280)	14,081,034
Write off of accumulated losses (note 12)	(1,074,088)	(342,596)	(342,596)	-	1,759,280	-
Total comprehensive loss for the year						
Net loss for the year	-	-	-	-	(1,729,868)	(1,729,868)
Other comprehensive income	-	-	-	64,035	-	64,035
Total comprehensive loss for the year	-	-	-	64,035	(1,729,868)	(1,665,833)
Balance at 31 December 2012	14,032,412	-	-	112,657	(1,729,868)	12,415,201

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

Gulf Takaful Insurance Company K.S.C. (Closed)
State of Kuwait

Consolidated statement of cash flows
for the year ended 31 December 2012

	Note	2012 KD	2011 KD
Cash flows from operating activities:			
Net (loss)/ profit for the year		(1,729,868)	374,929
Adjustments for:			
Investment deposits income		(76,114)	(30,127)
Losses from investments at fair value through profit or loss		823,996	203,806
Gain on sale of available-for-sale investments		-	(34,705)
Impairment loss on available-for-sale investments		872,969	180,787
Depreciation and amortization		39,168	61,099
Dividends		(5,991)	(137,865)
Provision for employees' end of service indemnity	*15*	70,958	86,479
Operating profit before changes in working capital		(4,882)	704,403
Investments at fair value through profit or loss		-	231,568
Qard Hassan to participants	*9*	(320,626)	(126,053)
Accounts receivable		(905)	758,534
Accounts payable		(10,071)	525
Due to related parties		2,739	(387,523)
Employees' end of service indemnity paid	*15*	(24,861)	(46,149)
Net cash (used in)/ from operating activities		(358,606)	1,135,305
Cash flows from investing activities:			
Dividends received		5,991	137,865
Purchase of property and equipment		(17,327)	(8,799)
Proceeds from sale of property and equipment		49	665
Investment deposits		300,000	(1,138,847)
Proceeds from sale of available-for-sale investments		-	424,494
Income received from investment deposits		76,114	30,127
Net cash from/ (used in) investing activities		364,827	(554,495)
Net increase in cash and cash equivalents		6,221	580,810
Cash and cash equivalents at the beginning of the year		915,408	334,598
Cash and cash equivalents at the end of the year	5	921,629	915,408

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

1. Reporting group

Gulf Takaful Insurance Company K.S.C. (Closed) ("the Company") was incorporated as a Kuwaiti shareholding company (Closed) on 6 September 2004. The principal activity of the Company is the writing of all classes of general takaful and family takaful business in accordance with the Noble Islamic Shari'ah principles and in accordance with Kuwait Law no. 24 of 1961, as amended, relating to insurance companies and insurance agents.

The Company's main office is at Sharq, Shuhada Street, KRH Building, PO Box 29279, Safat 13153, Kuwait.

The consolidated financial statements comprise the Company and its wholly owned subsidiary, Gulf Real Estate Company K.S.C. (Closed) (together referred to as "the Group").

The share capital of the subsidiary include shares of KD 40,000 as at 31 December 2012 (KD 40,000 as at 31 December 2011) which are registered in the name of others on behalf of the Group, and there are letters of renunciation in favour of the Group.

As at 31 December 2012, the Company was 33.06% owned by Global Investment House K.S.C., Kuwait (2011: 33.06%). The remaining 66.94% of the shares are widely held.

The total number of employees in the Group was 69 as at 31 December 2012 (74 employees as at 31 December 2011).

The Company conducts business on behalf of its participants and advances funds to the participants' operations as and when required. The shareholders are responsible for liabilities incurred by participants in the event that the participants' fund is in deficit or the operations are liquidated. The Company holds the physical custody and title of all assets related to the participants' and shareholders' operations. Such assets and liabilities, however, together with the results of participants' lines of business are disclosed in the notes.

The Company maintains separate books of accounts for participants and shareholders. Income and expenses clearly attributable to either activity are recorded in the respective accounts. Management and the Board of Directors determine the basis of allocation of expenses from joint operations.

The consolidated financial statements were authorized for issue by the Board of Directors on 12 June 2013, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Committee of the IASB and the requirements of the Kuwait Commercial Companies No. 25 of 2012 the Company's Articles of Association and the Ministerial Order No. 18 of 1990.

On 29 November, Kuwait Companies Law was issued by Decree law No. 25 of 2012 ("the Law"). The Law came into effect from the date it was published in Kuwait's

Official Gazette. The Group is currently in the process of ensuring compliance with the provisions of the law and has six months of its effective date until 29 May 2013, in accordance with the executive regulations. The Group's management is of the view that application of the provisions of this law has no material impact on the Group's activities or its financial position.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investments carried at fair value through profit or loss and available for sale investments.

c) Functional and presentation currency

These consolidated financial statements are presented in Kuwaiti Dinars, which is the functional currency for the Group.

d) Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note (4).

e) New standards, interpretations and amendments effective from 1 January 2012

None of the new standards, interpretations and amendments, effective for the first time from 1 January 2012, have had a material effect on the consolidated financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements for the year ended 31 December 2012 include the Company and its subsidiary referred to in note 1.

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power directly or indirectly to govern the financial and operating policies of subsidiaries so as to obtain benefits from their activities.

The financial statements of the subsidiary are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any unrealized gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The consolidated financial statements are prepared using uniform accounting policies.

The subsidiary is accounted for based on its audited financial statements for the year ended 31 December 2012.

b) Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost are translated into the functional currency and recorded at the exchange rates ruling at the date of the transaction. Non-monetary items denominated in foreign currencies which are stated at fair value are translated to the functional currency at the exchange rates ruling at the date of determining the fair value. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income except for differences resulting from retranslating available-for-sale equity instruments.

c) Investments

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value.

The amounts of each class of investments that has been designated at fair value through profit or loss are described in note 7.

Financial instruments at fair value through profit or loss are measured initially at fair value. Transaction costs on financial instruments through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments measured at fair value through profit or loss are measured at fair value with changes in their fair value recognized in the statement of income.

Investments which are not held-to-maturity or financial assets at fair value through profit or loss, are classified as being available-for-sale investments. Available-for-sale investments are recognized at fair value, with any resultant gain or loss being recognised in other comprehensive income and presented within equity in the fair value reserve, except for impairment losses and, in the case of monetary items, foreign exchange gains and losses.

Unquoted equity securities classified as available-for-sale investments whose fair value cannot be reliably determined are carried at cost less impairment losses (note 3 (h)).

When these investments are derecognised, the cumulative gain or loss in other comprehensive income is transferred to the statement of income.

The fair value of financial instruments classified as financial assets at fair value through profit or loss and available-for-sale-investments is their quoted market price at the reporting date. If the quoted market price is not available, the fair value of the investment is estimated using generally accepted valuation methods such as discounted cash flow techniques or net asset value or market price of similar investments.

Financial assets at fair value through profit or loss and available-for-sale investments are recognised or derecognised on the trade date i.e., on the date the Group commits to purchase or sell the investments.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks and highly liquid financial assets with original maturities of less than three months.

e) Loans and receivables

Loans and receivables are stated at cost less impairment losses (note 3(h)). The Group's loans and receivables include cash and cash equivalents, investment deposits, Qard Hassan to participants and accounts receivable.

f) Property and equipment

Property and equipment is measured at cost less accumulated depreciation and impairment losses (note 3(h)). Depreciation is calculated to write off the cost of property and equipment by equal installments over their estimated useful lives, ranging from 5 to 7 years.

The useful life, depreciation method and residual value of property and equipment at the end of their useful lives are reviewed annually to ensure that the method and period of depreciation is in line with the expected pattern of economic benefits from items of property and equipment. A change in the estimated useful life of property and equipment is applied at the beginning of the financial year of change with no retroactive effect.

g) Intangible assets

The Group's intangible assets include the value of computer software. Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in the statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

h) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognised in the statement of income.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective rate of return.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income is transferred to the statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

i) Payables

Payables are stated at amortised cost. The Group's payables are classified as other financial liabilities and include accounts payable and due to related parties.

j) Provisions

Provisions are recognized in the consolidated financial statements when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

k) Provision for employees' end of service indemnity

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard (IAS) 19 – Employee Benefits are charged to the statement of income in the year to which they relate.

Expatriate employees

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Group's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances.

l) Revenue recognition

- Income from Islamic finance contracts and deposits is recognized on a time proportion basis to achieve fixed rate of return on outstanding balances for these transactions.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Rental income from operating leases is recognised on a straight-line basis over the lease term.
- Other revenues and expenses are recognized on an accrual basis.

m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, with the exception of:

- IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2015 consolidated financial statements, with earlier application permitted, and could change the classification and measurement of financial assets. The Group is currently considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- Consolidation Standards. A package of consolidation standards are effective for annual periods beginning or after 1 January 2013: IFRS 10 *Consolidated financial statements*, IFRS 11 *Joint arrangements*, IFRS 12 *Disclosure of interests in other entities*, Consequential amendments to IAS 27 *Separate financial statements*, and IAS 28 *Investments in associates and joint ventures*. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

- IFRS 13 Fair Value Measurement, which becomes mandatory for the Group's 2013 consolidated financial statements, with earlier application permitted, replaces existing guidance of fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair values and disclosure about fair value measurements. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance.

- IAS 19 Employee Benefits (Amended). The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance.

4. Use of estimates and judgments

Key sources of estimation uncertainty

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

Impairment of receivables

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

Impairment on available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

Determining fair values

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgments in applying the Group's accounting policies

Critical accounting judgments made in applying the Group's accounting policies include:

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances. In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met the criteria for this designation (note 3(c)).

5. Cash and cash equivalents

	2012 KD	2011 KD
Cash at banks	921,629	915,408
	921,629	915,408

6. Investment deposits

6.1 Investment deposits are placed with Islamic financial institutions. The average effective rate of return on the time deposits was 2.41% as at 31 December 2012 (2.37% as at 31 December 2011).

6.2 Letters of guarantee issued in favor of Government entities in Kuwait are secured by investment deposits to the value of KD 1,292,260 as at 31 December 2012 (2011: KD 1,292,260) (see note 16).

7. Investments at fair value through profit or loss

	2012 KD	2011 KD
Investments in local shares – unquoted	492,900	789,121
Investments in foreign shares – unquoted	397,506	786,880
Investments in foreign funds – unquoted	663,888	802,289
	1,554,294	2,378,290

The valuation of unquoted investments has been determined based on the report obtained from investment portfolio manager (a related party).

8. Available-for-sale investments

	2012 KD	2011 KD
Investments in local shares – unquoted	1,797,683	2,466,250
Investments in local funds – unquoted	997,855	935,455
Investments in foreign shares – unquoted	252,380	331,360
Investments in foreign funds – unquoted	74,318	198,104
	3,122,236	3,931,169

The Company identified an impairment of KD 668,567 on available-for-sale investment – unquoted local shares (2011:nil), an impairment of KD 123,788 on available-for-sale investment – unquoted foreign funds (2011: KD 55,939) and an impairment of KD 80,614 on available-for-sale investment – unquoted foreign shares (2011:nil), all of which are recognized within the statement of income.

Fair value of unquoted available-for-sale investments with a carrying value of KD 168,718 cannot be reliably determined. Therefore these investments are carried at cost less any impairment losses. There is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

The valuation of some unquoted investments has been determined based on the report obtained from investment portfolio manager (a related parent).

9. Qard Hassan to participants

In accordance with the Company's memorandum of association, participants' net deficit from each line of business of the takaful operations has been covered by Qard Hassan (free of finance charges with no repayment terms) from shareholders. The Qard Hassan given by the shareholders for each line of business will be settled through surplus arising from such line of business in future years.

The movement on Qard Hassan during the year is as follows:

	2012 KD	2011 KD
Balance at the beginning of the year	2,799,643	2,673,590
Net finance paid to the participants	320,626	126,053
Balance at the end of the year	3,120,269	2,799,643

Following is the amount of losses not covered by the shareholders:

	2012 KD	2011 KD
Accumulated deficit of takaful activities	(5,008,682)	(4,294,333)
Amount paid by shareholders till 31 December	3,120,269	2,799,643
	(1,888,413)	(1,494,690)

10. Accounts receivable

	2012 KD	2011 KD
Accrued income	15,100	14,861
Refundable deposit	10,757	12,632
Prepaid expenses	12,542	7,317
Staff receivables	42,644	53,402
Other receivables	8,074	-
	89,117	88,212

11. Accounts payable

	2012 KD	2011 KD
Trade payables	11,029	15,478
Accrued leave pay	100,751	103,638
Zakat	-	3,787
Other payables	6,877	5,825
	118,657	128,728

12. Share capital

The Company's authorized, issued and paid up share capital amounted to KD 14,032,412 consisting of 140,324,120 shares of 100 fils each (31 December 2011: KD 15,106,500 consisting of 151,065,000 shares).

The Company's general assembly meeting held on 6 June 2012 approved write-off of accumulated losses of KD 1,759,280 in the Company's equity as at 31 December 2011 against voluntary reserve of KD 342,596, statutory reserve of KD 342,596 and share capital of KD 1,074,088.

13. Statutory reserve

In accordance with the Kuwait Commercial Companies' Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when profit is not sufficient for the payment of such dividend.

No transfers made to the statutory reserve during the current and previous year on account of accumulated losses.

14. Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the voluntary reserve. This transfer may be discontinued, upon recommendation of board of directors, by a resolution of the shareholders in their annual meeting. There are no restrictions on the distribution of this reserve.

No transfers made to the voluntary reserve during the current and previous year on account of accumulated losses.

15. Provision for employees' end of service indemnity

	2012 KD	2011 KD
At 1 January	315,820	275,490
Provision made during the year	70,958	86,479
Payments during the year	(24,861)	(46,149)
At 31 December	361,917	315,820

16. Contingent liabilities

At 31 December 2012, the Group had contingent liabilities in respect of letters of guarantee issued in favor of Government entities in Kuwait, amounting to KD 135,000 (2011: KD 135,000).These guarantees are secured on murabaha and investment deposits to the value of KD 1,292,260 (2011: KD 1,292,260) (see note 6).

17. Related party transactions

Related parties comprise the Group's shareholders who have representation in the Board of Directors, Directors, key management personnel and their close family members. In the normal course of business and upon management approval, transactions have been carried out during the year ended 31 December 2012.

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits and post-employment benefits. Key management personnel received total compensation of KD 105,000 for the year ended 31 December 2012 (KD 105,000 for the year ended 31 December 2011).

Other related party transactions

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2012 KD	2011 KD	2012 KD	2011 KD
Shareholders				
Investments at fair value through profit or loss	-	-	1,554,294	2,378,290
Available-for-sale investments	-	-	3,122,236	3,931,169
Losses from investments at fair value through profit or loss	(823,996)	(203,806)	-	-
Impairment loss on available-for-sale investments	(872,969)	(180,787)	-	-
Dividends	5,991	137,865	-	-
General and administative	132,650	141,328	-	-
Key management compensation	105,000	105,000	42,000	42,000

18. Participants' result by line of business and fund

The significant accounting policies used in accounting for the insurance business are set out below. Policies used in accounting for none insurance operations are the same as those adopted by the Group. The accounting policies are consistent with those used in the previous year.

Accounting policies used in insurance operation

Revenue recognition

Takaful contributions earned

Gross contributions are credited to income at the inception of the policy and over the period of the takaful coverage, which represent the total contribution written in the year, including contributions on annual policies covering part or all of the following year.

Unearned contributions represent the portion of contributions written related to the unexpired period of coverage. A minimum of 25% of the contributions collected are deferred for marine takaful contracts and minimum of 40% of the contributions collected are deferred for all other types of takaful contracts except for life takaful as per the insurance law.

Unearned contributions are reported under liabilities under policyholders' liabilities.

Contributions ceded to retakaful operations are deducted from gross contributions to arrive at net contribution.

Takaful contributions acquisition costs

Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of takaful contracts are amortised over the terms of the takaful contracts to which they relate as takaful contributions are earned, when the related contracts are settled or disposed of.

Claims

Claims, comprising amounts paid during the year and payable to insurance companies and third parties at the end of the year, incurred but not reported claims and related loss adjustment expenses, net of salvage and other recoveries, are charged to participants' results of operations as incurred.

Takaful receivables

Takaful receivables are carried at their nominal value less impairment losses.

Retakaful

Retakaful ceded contracts do not relieve the Group from its obligations to participants and as a result the group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the retakaful agreements.

Reserve for unexpired risks

General takaful

Calculated at 40 % of net contributions retained for property and 25 % of net contributions retained for the marine and aviation.

Takaful insurance

Provision of obligation of life takaful is calculated at the discretion of an independent actuary.

Outstanding claims reserve

A provision is calculated against claims presented and not settled up to the reporting date.

Family takaful insurance reserve

A provision for family takaful liabilities is recognized at the discretion of an independent actuary.

Incurred but not reported reserve (IBNR)

A provision for incurred claims not yet reported up to the reporting date is calculated based on prior experience of loss ratio.

Participants' assets, liabilities and fund:

	2012 KD	2011 KD
Assets		
Cash and cash equivalents	349,213	389,332
Takaful receivables	1,171,180	1,484,755
Due from retakaful companies	596,375	368,919
Other receivables	673,038	772,615
Retakaful share of gross outstanding claims	393,165	444,345
	3,182,971	3,459,966
Liabilities		
Due to retakaful companies	438,456	649,991
Unexpired risks reserve	1,545,398	1,383,410
Outstanding claims reserve	1,183,197	1,226,088
Incurred but not reported reserve	119,400	113,340
Takaful insurance reserve	20,118	18,412
Amounts retained for retakaful companies	78,623	77,081
Unearned contributions	553,437	218,427
Due to shareholders (note 9)	3,120,269	2,799,643
Other liabilities	1,132,755	1,267,907
	8,191,653	7,754,299
Participants' fund		
Net accumulated deficit from takaful operations (note 9)	(5,008,682)	(4,294,333)
Total liabilities and participants' fund	3,182,971	3,459,966

Participants' results of operations

	Marine & aviation KD	General accidents KD	Medical KD	Motors KD	Total general takaful KD	Family takaful KD	Total KD
Year ended 31 December 2012							
Contributions							
Gross contributions written	31,078	710,396	1,232,609	2,547,298	4,521,381	595,153	5,116,534
Less: contributions ceded	(22,368)	(514,925)	-	(200,571)	(737,864)	(412,757)	(1,150,621)
Net contributions written	8,710	195,471	1,232,609	2,346,727	3,783,517	182,396	3,965,913
Unexpired risks reserve	1,062	1,184	(27,458)	(131,983)	(157,195)	(4,792)	(161,987)
Net contributions earned	9,772	196,655	1,205,151	2,214,744	3,626,322	177,604	3,803,926
Issuance fees	93	924	1,276	124,087	126,380	1,125	127,505
Other expenses	(1,610)	(70,245)	(9,367)	(92,008)	(173,230)	(32,701)	(205,931)
Net commissions	3,636	44,687	(6,382)	(933,546)	(891,605)	(40,426)	(932,031)
Total revenues	11,891	172,021	1,190,678	1,313,277	2,687,867	105,602	2,793,469
Expenses							
Claims incurred	(647,676)	(102,943)	(1,518,459)	(948,009)	(3,217,087)	(399,459)	(3,616,546)
Less: retakaful share of claims incurred	645,943	39,792	-	-	685,735	364,667	1,050,402
Net claims	(1,733)	(63,151)	(1,518,459)	(948,009)	(2,531,352)	(34,792)	(2,566,144)
Provision for takaful insurance	-	-	-	-	-	(1,706)	(1,706)
Provision for outstanding claims and claims incurred but not reported	84	18,533	44,188	(80,116)	(17,311)	2,963	(14,348)
Total claims	(1,649)	(44,618)	(1,474,271)	(1,028,125)	(2,548,663)	(33,535)	(2,582,198)
Investment revenues	7	137	861	1,640	2,645	127	2,772
Surplus by business segments	10,249	127,540	(282,732)	286,792	141,849	72,194	214,043
Allocation of general and administrative expenses	(2,039)	(45,759)	(288,547)	(549,355)	(885,700)	(42,692)	(928,392)
Net surplus/ (deficit) from takaful operations	8,210	81,781	(571,279)	(262,563)	(743,851)	29,502	(714,349)
Beginning balance of deficit of participants' fund	-	-	-	-	-	-	(4,294,333)
Ending balance of deficit of participants' fund	-	-	-	-	-	-	(5,008,682)

	Marine& aviation KD	General accidents KD	Medical KD	Motors KD	Total general takaful KD	Family takaful KD	Total KD
Year ended 31 December 2011							
Contributions							
Gross contributions written	108,490	752,253	1,192,200	2,156,682	4,209,625	616,546	4,826,171
Less: contributions ceded	(91,626)	(572,689)	-	(146,902)	(811,217)	(424,567)	(1,235,784)
Net contributions written	16,864	179,564	1,192,200	2,009,780	3,398,408	191,979	3,590,387
Unexpired risks reserve	1,676	335	(155,812)	(193,183)	(346,984)	9,695	(337,289)
Net contributions earned	18,540	179,899	1,036,388	1,816,597	3,051,424	201,674	3,253,098
Issuance fees	375	816	1,238	125,985	128,414	765	129,179
Other expenses	(4,100)	(50,880)	(60,360)	(77,530)	(192,870)	(17,177)	(210,047)
Net commissions	11,942	68,932	(14,762)	(759,511)	(693,399)	(26,831)	(720,230)
Total revenues	26,757	198,767	962,504	1,105,541	2,293,569	158,431	2,452,000
Expenses							
Claims incurred	(42,683)	(144,454)	(949,695)	(689,041)	(1,825,873)	(339,481)	(2,165,354)
Less: retakaful share of claims incurred	40,940	37,859	-	-	78,799	304,433	383,232
Net claims	(1,743)	(106,595)	(949,695)	(689,041)	(1,747,074)	(35,048)	(1,782,122)
Provision for takaful insurance	-	-	-	-	-	3,672	3,672
Provision for outstanding claims and claims incurred but not reported	44	(2,633)	(168,648)	(204,036)	(375,273)	6,905	(368,368)
Total claims	(1,699)	(109,228)	(1,118,343)	(893,077)	(2,122,347)	(24,471)	(2,146,818)
Investment revenues	21	225	1,494	2,520	4,260	241	4,501
Surplus by business segments	25,079	89,764	(154,345)	214,984	175,482	134,201	309,683
Allocation of general and administrative expenses	(4,814)	(51,254)	(340,298)	(573,666)	(970,032)	(54,798)	(1,024,830)
Net surplus/ (deficit) from takaful operations	20,265	38,510	(494,643)	(358,682)	(794,550)	79,403	(715,147)
Beginning balance of deficit of participants' fund							(3,579,186)
Ending balance of deficit of participants' fund							(4,294,333)

19. Takaful risk management

The principal risk the Group faces under takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Takaful risk is basically concentrated in the motor class of business. However, the variability of risks is improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly motor, property and marine risks. These are regarded as short-term takaful contracts, as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate takaful risk.

Motor

Motor takaful is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Group has retakaful cover for such claims to limit losses for any individual claim to KD 25,000 (2011: KD 25,000).

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Property

Property takaful is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the actual loss caused by the inability to use the insured properties.

For property takaful contracts the main risks are fire and business interruption. The Group's policies aim for careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has retakaful cover for such damage to limit losses for any individual claim to KD 63,151 (2011: KD 109,228).

Marine

Marine takaful is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine takaful the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Group has retakaful to limit losses for any individual claim to KD 1,733 (2011: KD 1,699).

Family takaful

Underwriting is managed at each business unit through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Health selection is part of the Group's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

The table below sets out the concentration of contract liabilities by type of contract excluding the balance due to shareholders amounting to KD 3,120,269 (2011: KD 2,799,643):

31 December 2012	**Gross liabilities KD**	**Retakaful share of liabilities KD**	**Net liabilities KD**
Motor	3,295,160	412,350	2,882,810
Property	330,212	201,500	128,712
Marine	60,618	48,196	12,422
Family takaful	235,957	189,021	46,936
Medical	1,149,437	-	1,149,437
	5,071,384	851,067	4,220,317
31 December 2011			
Motor	3,247,861	409,059	2,838,802
Property	325,914	197,260	128,654
Marine	51,061	42,682	8,379
Family takaful	233,834	181,652	52,182
Medical	1,095,986	-	1,095,986
	4,954,656	830,653	4,124,003

Geographical concentration of risks

The takaful risk arising from takaful contracts is concentrated mainly in the State of Kuwait.

Retakaful risk

In common with other takaful companies, in order to minimise financial exposure arising from large claims, the Group, in the normal course of business, enters into arrangements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is effected under treaty, facultative and excess of loss retakaful contracts.

To minimise its exposure to significant losses from retakaful insolvencies, the Group evaluates the financial condition of retakaful companies. The Group deals with retakaful companies approved by the Board of Directors and hires external experts and brokers to select retakaful companies.

20. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and investments.

Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group deals only with recognised, creditworthy third parties. It is the Group's policy that all participants and reinsurers are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 21. There are no significant concentrations of credit risk within the Group.

Investments

With respect to credit risk arising from the Group's investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these investments. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At present the Group does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Group expects the operating activity to generate sufficient cash inflows. In addition, the Group holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs. All shareholder liabilities are matured within one year.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of Group entities, primarily the U.S. Dollars (USD), and Emirates Dirham (AED).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level.

The Group currently does not use financial derivatives to manage its exposure to currency risk.

Other market price risk

Equity price risk arises from equity securities. Available-for-sale investments are held for strategic rather than trading purposes and the Group does not actively trade these investments. The primary goal of the Group's investment strategy is to maximise investment returns. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. To manage its price risk arising from investments in equity securities which are carried at fair value through profit or loss, the Group diversifies its portfolio. The Group's investments in equity of other entities are based primarily in the State of Kuwait.

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Executive Management.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

21. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012 KD	2011 KD
Shareholders		
Cash and cash equivalents	921,629	915,408
Investment deposits	4,072,260	4,372,260
Qard Hassan to participants	3,120,269	2,799,643
Accounts receivable	89,117	88,212
	8,203,275	8,175,523
Participants		
Cash and cash equivalents	349,213	389,332
Takaful receivables	1,171,180	1,484,755
Due from retakaful companies	596,375	368,919
Other receivables	673,038	772,615
Retakaful share of gross outstanding claims	393,165	444,345
	3,182,971	3,459,966

The exposure to credit risk arising from takaful and other receivables at the reporting date is concentrated in the State of Kuwait.

The table below shows the credit quality of takaful and other receivables at the reporting date:

31 December 2012	Total KD	Neither past due nor impaired KD	Past due but not impaired KD	Individually impaired KD
Shareholders				
Investment deposits	4,072,260	4,072,260	-	-
Qard Hassan to participants	3,120,269	3,120,269	-	-
Accounts receivable	89,117	89,117	-	-
	7,281,646	7,281,646	-	-
Participants				
Takaful receivables	1,171,180	1,081,862	89,318	-
Due from retakaful companies	596,375	596,375	-	-
Other receivables	673,038	673,038	-	-
Retakaful share of gross outstanding claims	393,165	393,165	-	-
	2,833,758	2,744,440	89,318	-

31 December 2011	Total KD	Neither past due nor impaired KD	Past due but not impaired KD	Individually impaired KD
Shareholders				
Murabaha and investment deposits	4,372,260	4,372,260	-	-
Qard Hassan to participants	2,799,643	2,799,643	-	-
Accounts receivable	88,212	88,212	-	-
	7,260,115	7,260,115	-	-
Participants				
Takaful receivables	1,484,755	1,390,192	94,563	-
Due from retakaful companies	368,919	368,919	-	-
Other receivables	772,615	772,615	-	-
Retakaful share of gross outstanding claims	444,345	444,345	-	-
	3,070,634	2,976,071	94,563	-

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk

The following are the expected maturities of financial liabilities at the reporting date.

31 December 2012	Carrying amount KD	One year or less KD
Shareholders		
Accounts payable	118,657	118,657
Due to related parties	42,979	42,979
	161,636	161,636
Participants		
Participants' financial liabilities	8,191,653	8,191,653
	8,353,289	8,353,289
31 December 2011		
Shareholders		
Accounts payable	128,728	128,728
Due to related parties	40,240	40,240
	168,968	168,968
Participants		
Participants' financial liabilities	7,754,299	7,754,299
	7,923,267	7,923,267

Currency risk

Exposure to currency risk

Foreign currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates.

The Group had the following significant net exposures denominated in foreign currencies as at 31 December:

	2012 Equivalent Long Position	2011 Equivalent Long Position
US Dollar	1,218,401	2,004,355
Emirates Dirham	168,718	167,083

Sensitivity analysis

A 5 percent strengthening of the KD against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

Effect in Kuwaiti Dinars	**Equity**	**Profit or loss**
31 December 2012		
US Dollar	60,920	53,070
Emirates Dirham	8,436	-
31 December 2011		
US Dollar	100,218	82,179
Emirates Dirham	8,354	-

A 5 percent weakening of the KD against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Equity price risk

For such investments classified as available-for-sale, a three percent increase or decrease in stock prices at the reporting date would have increased or decreased equity by KD 93,667 (2011: an increase or decrease of KD 117,935). For such investments classified as at fair value through profit or loss, the impact on profit or loss would have been an increase or decrease of KD 46,629 (2011: KD 71, 349). The analysis is performed on the same basis for 2011.

Fair values

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair value of financial assets and financial liabilities at the reporting date are not materially different from their carrying values.

Fair value hierarchy

The next table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2012				
Financial assets at fair value through profit or loss	-	1,554,294	-	1,554,294
Available-for-sale financial assets	-	2,953,518	-	2,953,518
	-	4,507,812	-	4,507,812
31 December 2011				
Financial assets at fair value through profit or loss	-	1,327,289	1,051,001	2,378,290
Available-for-sale financial assets	-	1,133,559	-	1,133,559
	-	2,460,848	1,051,001	3,511,849

The above table does not include KD 168,718 of available-for-sale investment securities that are measured at cost, less any impairment losses, and for which disclosure of fair value is not provided because their fair value cannot be reliably measured (note 8).