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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-MASAR LEASING AND INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al-Masar Leasing and Investment Company K.S.C (Closed) (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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

ERNST & YOUNG

BAKER TILLY
KUWAIT
Dr. Saud Al-humaidi & Partners
Public Accountants

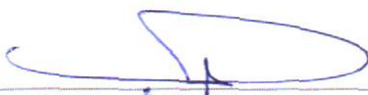
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-MASAR LEASING AND INVESTMENT COMPANY K.S.C. (CLOSED) (continued)

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion above, we have not received audited financial statements of an associate. The Group's share of the total net assets and results of this associate included in the consolidated financial statements amount to KD 1,031,242 and loss of KD 344,066 respectively based on management accounts.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that except to what has been stated above, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the Parent Company's Articles of Association, as amended, have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations during the year ended 31 December 2010.



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

DR. SAUD AL-HUMAIDI
LICENSE NO. 51 A
DR. SAUD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

20 April 2011
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2010

	Notes	*2010* KD	*2009* KD
INCOME			
Islamic financing income	3	**37,796**	204,084
Lease rental income		**4,003,836**	4,004,177
Trading income	4	**97,871**	203,121
Investment loss, net	5	**(1,075,451)**	(925,884)
Placement and management fees		**442,054**	531,567
Gain on sale of trading properties	10	**-**	492,920
Gain on sale of investment properties		**-**	258,803
Loss on sale of property and equipment		**-**	(840)
Provision no longer required		**179,348**	192,421
Other income		**79,153**	177,299
		3,764,607	5,137,668
EXPENSES			
Finance costs		**(772,015)**	(954,007)
Provision for credit loss	6	**(1,518,457)**	(3,263,091)
Staff costs		**(683,957)**	(685,508)
Depreciation	14	**(2,207,224)**	(2,471,247)
General and administrative expenses		**(1,236,080)**	(959,260)
Provision for doubtful debts		**-**	(568,075)
Excess of fair value of investment in an associate over acquisition price	12	**-**	417,855
Impairment loss on investment properties	13	**(408,634)**	(327,112)
		(6,826,367)	(8,810,445)
LOSS FOR THE YEAR		**(3,061,760)**	(3,672,777)
Attributable to:			
Equity holders of the Parent Company		**(3,271,873)**	(3,906,165)
Non-controlling interests		**210,113**	233,388
		(3,061,760)	(3,672,777)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	7	**(20.39) fils**	(24.34) fils

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

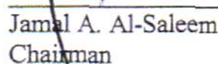
For the year ended 31 December 2010

	Notes	***2010 KD***	*2009 KD*
Loss for the year		**(3,061,760)**	(3,672,777)
Other comprehensive income:			
Financial assets available for sale:			
- Net unrealized gain (loss)		**400,049**	474,230
- Gain realized during the year		**25,320**	43,065
- Impairment losses transferred to consolidated statement of income	11	**(425,369)**	(517,295)
Foreign currency translation adjustment		**64,985**	4,716
Cummulitive change in fair value		**(1,215)**	(556,533)
Other comprehensive income (loss) for the year		**63,770**	(551,817)
Total comprehensive loss for the year		**(2,997,990)**	(4,224,594)
Attributable to:			
Equity holders of the Parent Company		**(3,208,103)**	(4,457,982)
Non-controlling interests		**210,113**	233,388
Total comprehensive loss for the year		**(2,997,990)**	(4,224,594)

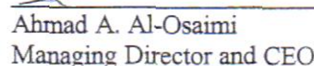
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	***2010 KD***	*2009 KD*
ASSETS			
Bank balances and cash		**1,440,699**	1,612,478
Islamic financing receivables	8	**525,164**	2,005,825
Financial assets at fair value through income statement		**3,900**	4,680
Other assets	9	**1,603,567**	1,942,159
Trading property	10	**6,296,922**	6,296,922
Financial assets available for sale	11	**1,708,939**	3,906,726
Investment in associates	12	**4,197,895**	4,941,946
Investment properties	13	**1,580,256**	1,038,080
Property and equipment	14	**15,383,873**	13,983,738
Intangible assets		**41,083**	48,083
TOTAL ASSETS		**32,782,298**	35,780,637
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**16,050,000**	16,050,000
Statutory reserve	16	**740,476**	740,476
General reserve	16	**740,476**	740,476
Other reserve		**63,263**	-
Cumulative changes in fair values		**(41,387)**	(40,172)
Foreign currency translation reserve		**69,701**	4,716
Accumuled losses / Retained earnings		**(2,586,906)**	684,967
Equity attributable to equity holders of the Parent Company		**15,035,623**	18,180,463
Non-controlling interests		**3,089,636**	2,587,335
Total equity		**18,125,259**	20,767,798
Liabilities			
Islamic financing payables	17	**13,346,107**	13,471,489
Other liabilities	18	**1,310,932**	1,541,350
Total liabilities		**14,657,039**	15,012,839
TOTAL EQUITY AND LIABILITIES		**32,782,298**	35,780,637



Jamal A. Al-Saleem
Chairman



Ahmad A. Al-Osaimi
Managing Director and CEO

16 25

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Attributable to equity holders of the Parent Company									
	Share capital KD	*Statutory reserve KD*	*General reserve KD*	*Other reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controling interests KD*	*Total equity KD*
Balance at 1 January 2010	16,050,000	740,476	740,476	-	(40,172)	4,716	684,967	18,180,463	2,587,335	20,767,798
Loss for the year	-	-	-	-	-	-	(3,271,873)	(3,271,873)	210,113	(3,061,760)
Other comprehensive (loss) income for the year	-	-	-	-	(1,215)	64,985	-	63,770	-	63,770
Total comprehensive (loss) income for the year	-	-	-	-	(1,215)	64,985	(3,271,873)	(3,208,103)	210,113	(2,997,990)
Change in ownership of a subsidary	-	-	-	63,263	-	-	-	63,263	426,729	489,992
Dividends distribution to non-controlling interests	-	-	-	-	-	-	-	-	(134,541)	(134,541)
Balance at 31 December 2010	**16,050,000**	**740,476**	**740,476**	**63,263**	**(41,387)**	**69,701**	**(2,586,906)**	**15,035,623**	**3,089,636**	**18,125,259**
Balance at 1 January 2009	16,050,000	740,476	740,476	-	516,361	-	4,591,132	22,638,445	1,542,758	24,181,203
Loss for the year	-	-	-	-	-	-	(3,906,165)	(3,906,165)	233,388	(3,672,777)
Other comprehensive (loss) income	-	-	-	-	(556,533)	4,716	-	(551,817)	-	(551,817)
Total comprehensive (loss) income for the year	-	-	-	-	(556,533)	4,716	(3,906,165)	(4,457,982)	233,388	(4,224,594)
Net movement in non-controling interests	-	-	-	-	-	-	-	-	811,189	811,189
Balance at 31 December 2009	16,050,000	740,476	740,476	-	(40,172)	4,716	684,967	18,180,463	2,587,335	20,767,798

The attached notes 1 to 25 form part of these consolidated financial statements.

Al-Masar Leasing and Investment Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	***2010*** ***KD***	*2009* *KD*
OPERATING ACTIVITIES			
Loss for the year		**(3,061,760)**	(3,672,777)
Adjustments for:			
Unrealised loss (gain) on financial assets at fair value through income statement	5	**780**	(258,082)
Gain on sale of financial assets available for sale	5	**(25,320)**	(43,065)
Impairment loss on avilable for sale investmets	5	**425,369**	517,295
Share of results of associates	5	**674,622**	608,641
Excess of fair value of investment in an associate over acquisition price	12	**-**	(417,855)
Loss on partial sale of investment in subsidiaries	5	**-**	83,783
Gain on sale of investment properties		**-**	(258,803)
Impairment loss on investment properties		**408,634**	327,112
Loss on sale of property and equipment		**-**	840
Provision for doubtful debts		**-**	568,075
Depreciation and amortization		**2,207,224**	2,478,247
Provision for credit loss	6	**1,518,457**	3,263,091
		2,148,006	3,196,502
Changes in operating assets and liabilities:			
Islamic financing receivables		**(37,796)**	539,107
Financial assets at fair value through income statement		**-**	93,311
Other assets		**338,592**	(145,495)
Trading properties		**-**	(715,462)
Intangible assets		**7,000**	-
Other liabilities		**(186,448)**	98,155
Net cash from operating activities		**2,269,354**	3,066,118
INVESTING ACTIVITIES			
Purchase of property and equipment	14	**(9,889,837)**	(8,699,200)
Proceeds from sale of property and equipment		**6,282,478**	4,354,707
Proceeds from sale of investment properties		**-**	344,698
Purchase of investment properties		**(950,810)**	-
Proceeds from sale of associate		**933,457**	-
Purchase of financial assets available for sale		**-**	(446,882)
Proceeds from partial disposal of a subsidiary		**489,992**	-
Net cash used in investing activities		**(3,134,720)**	(4,446,677)
FINANCING ACTIVITIES			
Islamic financing payables		**828,128**	(52,801)
Net movement in non-controlling interests		**(134,541)**	811,189
Net cash from financing activities		**693,587**	758,388
DECREASE IN BANK BALANCES AND CASH		**(171,779)**	(622,171)
Net foreign exchange difference		**-**	927
Bank balances and cash at the beginning of the year		**1,612,478**	2,233,722
BANK BALANCES AND CASH AT THE END OF THE YEAR		**1,440,699**	1,612,478

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

1 COPORATE INFORMATION

The consolidated financial statements of Al-Masar Leasing and Investment Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively the "Group") for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Parent company's Board of Directors on 20 April 2011 and were approved by the relevant regulatory authorities before issuance. The shareholders' general assembly has the power to amend these consolidated financial statements after issuance.

The Parent Company is a Kuwaiti closed shareholding company and was incorporated on 27 November 2005 in accordance with the provisions of Law No. (12) of 1998, licensing the incorporation of leasing companies and the Commercial Companies Law No. 15 of 1960 and amendments thereto.and was listed on the Kuwait Stock Exchange on 15 April 2010. The Parent Company is regulated by the Central Bank of Kuwait as an investment Company. Details of Subsidiaries are set out in Note 2.

The Group principally operates in Kuwait and engages in investment and leasing activities. All activities of the Group are required to be carried out in compliance with the Islamic Sharia, as approved and authorised by the Parent Company's Fatwa and Sharee'a Supervisory Board.

The Parent Company's registered head office is at Abdullah Al-Mubarak Street, Murgab, Kuwait City, P.O. Box 4957, 13050 Safat, Kuwait.

On 22 December 2010, the Parent Company signed a Memorandum of Understanding ("MOU") with a company listed in the parallel market of the Kuwait Stock of Exchange, for a proposed merger by way of amalgamation under Al Masar Leasing and Investment Company K.S.C.C whereby the other party shall be wound up and all its assets and liabilities shall be transferred to Al Masar, which business name following the merger shall remain Al Masar Leasing and Investment Company K.S.C.C, subject to and in compliance with the applicable laws and regulations in Kuwait.

However, the MOU does not obligate any party to enter into any agreement with respect to the subject matter of this MOU with the other party. Each party has the right to terminate discussions and the MOU without the other party being entitled to any recourse.

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as discussed under the accounting policy for impairment of financial assets.

Basis of preparation
The consolidated financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of financial assets at fair value through income statement, and financial assets available for sale.

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

Basis of consolidation

Basis of consolidation from 1 January 2010
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2010.

Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise to obtain benefits from its activities.

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

Details of the primary material subsidiaries included in the consolidated financial statements are set out below:

Name of Company	*Country of incorporation*	***Effective interest in equity %***		*Principal activities*
		2010	*2009*	
Priority Automobile Company K.S.C. (Closed)	Kuwait	**55.44**	61.66	Leasing, trading and renting activity
Asia Consultancy Administrative Company W.L.L.	Kuwait	**100**	100	Consultancy services
Home Plus for General Trading Company W.L.L.	Kuwait	**100**	100	General Trading
Riyada United Real Estate Company K.S.C. (Closed)	Kuwait	**100**	100	Real estate trading
Riyada International Company for Administrative Consultancy W.L.L.	Kuwait	**100**	100	Consultancy services
Chique Real Estate Company W.L.L.	Kuwait	**80**	80	Consultancy services
Masar Al Watanya Real Estate Company W.L.L.	Kingdom of Saudi Arabia	**100**	100	Real estate trading
Masar Al Jazeera Real Estate Company W.L.L.	Kingdom of Saudi Arabia	**100**	100	Real estate trading

During the year, the Parent Company disposed of part of its interest in "Priority Automobile Company K.S.C. (Closed)" for a total consideration of KD 489,992 without lossing control. The Parent Company's interest in "Priority Automobile Company K.S.C. (Closed)" was reduced to 55.44% the difference between the carrying value of the interest disposed of and the sale consideration has been recognised directly oin equity.

Certain shares in "Asia Consultancy Administrative Company W.L.L.", "Home Plus for General Trading Company W.L.L.", "Riyada United Real Estate Company K.S.C. (Closed)", "Riyada International Company for Administrative Consultancy W.L.L.", "Chique Real Estate Company W.L.L.", "Masar Al Watanya Real Estate Company W.L.L." and "Masar Al Jazeera Real Estate Company W.L.L." are registered in the names of nominees on behalf of the Parent Company. These nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the Parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the Parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between NCI and the Parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies used in preparation of the consolidated financial statements are consistent with those used in the previous financial year except as noted below:

During the year, the Group has adopted the following amended standards effective for the annual periods beginning on or after 1 January 2010:

- IFRS 3 (Revised) – Business Combinations and consequential amendments to IAS 27 effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRIC Interpretation 9: Reassessment of embedded derivatives *(effective for the period beginning on or after 1 July 2009)*
- IFRIC Interpretation 17: Distributions of non-cash assets to owners *(effective for the period beginning on or after 1 July 2009)*
- IFRIC Interpretation 18: Transfers of assets from customers *(effective for the period beginning on or after 1 July 2009).*

IFRS 3 (Revised) – Business Combinations and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements. The main changes in the Group's accounting policies are as follows:

- Acquisition related costs are expensed in the consolidated statement of income in the periods in which the costs are incurred;
- Changes in ownership interest in a subsidiary that do not result in a loss of control are treated as transaction between equity holders and are accounted for within equity; and
- Equity interest held prior to control being obtained is remeasured to fair value at the date of obtaining control, any resulting gain or loss is recognised in the statement of income.

IFRIC Interpretation 9: Reassessment of embedded derivatives

The IFRIC has issued Embedded Derivatives: Amendments to IFRIC 9 which requires entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The amendments to IFRIC 9 require an assessment to be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC Interpretation 17: Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

IFRIC Interpretation 18: Transfers of assets from customers
This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation has no effect on either the financial position or performance of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations relevant to the Group, issued, but not yet effective

The following IASB Standards and IFRIC Interpretations relevant to the Group have been issued but are not yet mandatory, and have not yet been adopted by the Group:

- IFRS 9: Financial Instruments: Classification and Measurement *(effective for annual periods beginning on or after 1 January 2013)*
- IAS 24 (Revised 2009) Related Party Disclosures *(effective for the period beginning on or after 1January 2011)*
- IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (Amendment) *(effective for the period beginning on or after 1February 2010)*
- IFRIC Interpretation 14 Prepayments of a minimum funding requirement (Amendment) *(effective for the period beginning on or after 1January 2011)*
- IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments *(effective for the period beginning on or after 1July 2010)*

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 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRIC Interpretation 14: Prepayments of a minimum funding requirement (Amendment)
This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits.

IFRIC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
This Interpretation provides guidance for the accounting when an entity renegotiates terms of a liability with the result that a debtor extinguishes a financial liability fully or partially by issuing equity instruments to the creditor.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Improvement to IFRSs
The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below:

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

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

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

2.4 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 Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principle or agent. The Group has concluded that it is acting as a principle in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

- Islamic financing income comprises of murabaha, ijara, tawarruq and wakala income and are recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.
- Lease rental income is recognised on a straight line basis over the lease term.
- Trading income is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, normally on delivery of goods to the customer.
- Placement and management fees are recognised when securities are sold or when deals are concluded or when specific advisory services are rendered.
- Realised gains on sale of investment properties are recognised when a sale is consummated and contracts are signed; the buyer's investment to the date of the consolidated financial statements is adequate to demonstrate a commitment to pay for the property; the Group's receivable is not subject to future subordination; and the Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

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

All financial assets are recognised initially at fair value plus, in the case of financial assets 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 Group commits to purchase or sell the asset.
At 31 December 2010 and 31 December 2009, the Group did not have any held to maturity investments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (countined)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

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

Islamic financing receivables
Islamic financing receivables include Ijara and tawarruq receivables classified as "loans and receivables" which are carried at amortised cost, less any amounts written off and provision for impairment.

Ijara receivables
Ijara is an Islamic transaction involving the purchase and immediate lease of an asset at fair value where the lessor conveys to the lessee the right to use the asset for an agreed period of time in return for a payment or series of payments. At the end of the lease term the lessee has the option to purchase the asset.

Ijara receivables are stated at the aggregate of the minimum lease payments due less provision for impairment, if any, and are presented net of deferred income.

Tawarruq receivables
Tawarruq receivables represent amounts receivable on a deferred settlement basis for commodities sold under Tawarruq arrangements. Tawarruq receivables are stated at the gross amount of the receivable, less deferred profit and provision for impairment.

Financial assets at fair value through income statement
Financial assets at fair value through income statement include financial assets held for trading and financial assets designated upon initial recognition at fair value through income statement. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets are designated at fair value through income statement 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 income statement are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated income statement.

Financial assets available for sale
Financial assets available for sale include equity securities. Equity securities classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through income statement.

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

Derecognition
A financial asset (or, where applicable a part of financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive the cash flows from the asset have expired.
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (countined)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in 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.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% on all finance facilities net of certain categories of collateral, to which Central Bank of Kuwait instructions are applicable and not subject to specific provision, is made.

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

(iii) Financial liabilities

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

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

The Group's financial liabilities include Islamic financing payables and other liabilities.

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

Islamic financing payables
Ijara, wakala, murabaha and tawarruq payables are financial liabilities and are carried at amortised cost.

Ijara payables
Ijara is an Islamic transaction involving purchase and immediate lease of an asset where the lessor conveys to the lessee the right to use the asset for an agreed period of time in return for a payment or series of payments. At the end of the lease term the lessee has the option to purchase the asset.

Ijara payables represents the amount payable on a deferred settlement basis for assets purchased under leasing arrangements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (countined)

Financial instruments – initial recognition and subsequent measurement (continued)

(iii) Financial liabilities

Islamic financing payables (continued)

Wakala payables
Wakala payables represent amounts payable on a deferred settlement basis for financial assets purchased under wakala arrangements. Wakala payables are 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.

Murabaha payables
Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Tawarruq payables
Tawarruq payables represent amounts due arising from an Islamic financing arrangement where the liability is settled on a deferred payment basis. Tawarruq payables are stated at the 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.

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

(iv) Derecognition

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

(v) Offsetting of financial instruments

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

(vi) 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 (bid price), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (countined)

Trading properties
These include properties held for sale in the ordinary course of bussiness, such properties are stated at the lower of cost and net realisable value on an individual basis.

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

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group'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 consolidated income statement 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 Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group 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 Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

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

Investment properties
Investment properties are carried at cost less accumulated depreciation and impairment in value ifany . Depreciation is provided on a straight-line basis over the estimated useful lives of all rental properties other than land which are deemed to have indefinite life.

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

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is subsequently revalued to its market value as determined by a real estate valuer. Revaluation of land is carried out every two years to its market value at the date of revaluation and is not depreciated.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (countined)

Property and equipment (continued)
When an asset is revalued, any increase in the carrying amount arising on revaluation is credited directly to equity under the revaluation reserve, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, whereby it is recognised as income. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion is being charged to expense. On disposal of the related revaluation surplus is credited directly to retained earnings.

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

• Furniture and fixtures	3-5 years
• Tools and office equipment	3-5 years
• Leased equipment or motor vehicles	over lease term less residual value

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

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at the end of the financial year.

Intangible assets
Intangible assets represent key money acquired separately and are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and is treated as change in accounting estimates.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement. 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.

Leases
Leases where the Group is the lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the consolidated income statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (countined)

Leases (continued)

Leases where the Group is the lessor

Leases where the Group transfers substantially all the risks and benefits of ownership of the asset are financial leases and structured in the form of Ijara receivables.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as lease rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the fair values were determined. In case of non-monetary assets whose change in fair values are recognised directly in equity, foreign exchange differences are recognised directly in equity and for non-monetary assets whose change in fair value are recognised in the consolidated income statement.

Assets and liabilities, both monetary and non-monetary, of foreign subsidiaries and associates are translated at the exchange rates prevailing at the reporting date. Operating results of such entities are translated at average rates of exchange for the period of operations. The resulting exchange differences are accumulated in a separate section of the consolidated statement of changes in equity (foreign currency translation reserve) until the disposal of the entity.

Provisions

Provisions are recognised when the Group has a present obligation (legal or cosntructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Fiduciary assets

Assets held in trust or fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated statement of financial position..

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and Subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat

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

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (countined)

Judgements (continued)

Classification of financial assets
The Group decides on acquisition of financial assets whether they should be classified as financial assets at fair value through income statement, or financial assets available for sale. The management classifies financial assets as at fair value through income statement if they are acquired primarily for the purpose of short term profit making and the fair value of those financial assets can be reliably determined.

Classification of finanical assets as fair value through income statement depends on how management monitor the performance of these financial assets 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 fair value through income statement. All other financial assets are classified as available for sale.

Classification of real estate
Management decides on acquisition of real estate whether it should be classified as trading or investment property.

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

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

Valuation of investment properties
Fair value is determined based on external valuations by specialist resources which have relevant experience in the real estate market

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

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

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

Fair value of financial instruments
Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (countined)

Estimates and assumptions (continued)

Useful lives of property and equipment
The Group'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 losses on finance facilities
The Group reviews its problem finance facilities on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Valuation of unquoted equity investments
Valuation of unquoted equity 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;
- An earnings multiple;
- The 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 equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

3 ISLAMIC FINANCING INCOME

	2010	*2009*
	KD	*KD*
Ijara	**20,633**	26,270
Tawarruq	**17,163**	173,158
Wakala	**-**	4,656
	37,796	204,084

4 TRADING INCOME

	2010	*2009*
	KD	*KD*
Sales	**1,278,456**	1,735,946
Cost of sales	**(1,180,585)**	(1,532,825)
	97,871	203,121

5 INVESTMENT (LOSS) INCOME, NET

	2010	*2009*
	KD	*KD*
Unrealised (loss) gain of financial assets at fair value through income statement	**(780)**	258,082
Loss on sale of financial assets at fair value through income statement	-	(19,062)
Gain on sale of financial assets available for sale	**25,320**	43,065
Impairment loss on financial assets available for sale (Note 11)	**(425,369)**	(517,295)
Share of results of associates (Note 12)	**(674,622)**	(608,641)
Loss on partial sale of investment in subsidiaries (Note 2)	-	(83,783)
Dividend income	-	1,750
	(1,075,451)	(925,884)

6 PROVISION FOR CREDIT LOSS

Islamic financing receivables are stated net of a provision for credit loss as follows:

	Specific and general provision	
	2010	*2009*
	KD	*KD*
At 1 January	**3,343,091**	80,000
Provided during the year		
General provision provided during the year	**53,877**	50,944
Specific provision provided during the year	**1,464,580**	3,212,147
Written off during the year	**(3,000,000)**	-
At the end of the year	**1,861,548**	3,343,091

During the year ended 31 December 2010, the management of the Parent Company decided to write off a provision amounting to KD 3,000,000 (31 December 2009: KD: Nil) for Tawarruq contracts amounting to KD 5,111,548 (31 December 2009: KD: 5,094,416).

7 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share are computed by dividing the loss for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the year.

There are no dilutive potential ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average numbers of shares outstanding, during the year is as follows:

	2010	*2009*
Loss attributable to the equity holders of the Parent Company (KD)	**(3,271,873)**	(3,906,165)
Weighted average number of shares outstanding during the year (shares)	**160,500,000**	160,500,000
Basic and diluted loss per share (fils)	**(20.39) fils**	(24.34) fils

8 ISLAMIC FINANCING RECEIVABLES

	Ijara 2010 KD	*Tawarruq 2010 KD*	*Total 2010 KD*
Gross receivables	**277,000**	**2,477,813**	**2,754,813**
Less: deferred income	**(1,837)**	**(366,264)**	**(368,101)**
	275,163	**2,111,549**	**2,386,712**
Less: provision for credit loss:			
Specific and general provision (Note 6)	**(2,752)**	**(1,858,796)**	**(1,861,548)**
	272,411	**252,753**	**525,164**

	Ijara 2009 KD	*Tawarruq 2009 KD*	*Total 2009 KD*
Gross receivables	254,500	5,461,234	5,715,734
Less: deferred income	-	(366,818)	(366,818)
	254,500	5,094,416	5,348,916
Less: provision for credit loss:			
Specific and general provision (Note 6)	(2,545)	(3,340,546)	(3,343,091)
	251,955	1,753,870	2,005,825

The fair value of Islamic financing receivables approximates the carrying value as at 31 December 2010 (31 December 2009: fair value approximates the carrying value) except for the general provision which is based on the requirements of Central Bank of Kuwait (Note 6).

In respect from the balance(along with the related provision of KD 3,000,000) of tawarruq contracts amounting KD 5,477,813, the Parent Company's management wrote off KD 3,000,000 and recorded additional provision of KD 1,518,457 against the remaining receivable (2009: KD 3,263,091 against receivable of KD 5,715,734).

9 OTHER ASSETS

	2010 KD	*2009 KD*
Amount due from associate	**45,194**	-
Trading receivable	**472,429**	486,576
Inventories	**224,740**	248,235
Other receivables	**861,204**	1,207,348
	1,603,567	1,942,159

10 TRADING PROPERTIES

Trading properties include certain plots of land located in United Arab Emirates under development for completion.

During prior year, the Group sold certain plots of the trading properties with a carrying value of 2,845,555 for total consideration of KD 2,352,635 resulting in a gain of KD 492,920.

11 FINANCIAL ASSETS AVAILABLE FOR SALE

	2010 *KD*	*2009* *KD*
Unquoted equity securities	**797,434**	1,135,034
Unquoted real estate portfolios	**911,505**	2,771,692
	1,708,939	3,906,726

Financial assets available for sale amounting to KD 1,274,005 (31 December 2009: KD 3,155,323) are carried at fair value. The fair values of unquoted equity securities are determined using valuation techniques that are based on recent arm's length market transactions or current fair value of another instrument that is substantially the same. The real estate portfolio has been valued based on the valuation provided by real estate ascessors and as a result of these valuations, the Parent Company recorded a loss amounting to KD nil (31 December 2009 gain of: KD 556,533) which has been taken to the consiladted statement of other comperhensve income.

Unquoted equity securities and real estate portfolios amounting to KD 434,934 (31 December 2009: KD 751,403 are carried at cost less impairment due to the non availability of quoted market prices or other reliable measures of their fair values. The parent company's management recorded impairment losses of KD 425,369 (31 December 2009: KD 517,295) in the consolidated income statement in respect of these investments.

For the remaining unquoted financial assets, the management is not aware of any circumstances that would indicate any further impairment in the value of those investments at the reporting date.

12 INVESTMENT IN ASSOCIATES

The Group's associates are as follows:

Name	*Country of Incorporation*	*% equity interest*		*Activities*
		2010	*2009*	
Kuwait Sand for Drilling and Execution Contracting Company W.L.L.	Kuwait	**26**	26	Drilling and excution
Rawad Real Estate Company K.S.C. (Closed)	Kuwait	**11.45**	11.45	Real Estate
Maritime Tankers and Shipping Company K.S.C. (Closed)	Kuwait	**28.52**	28.52	Trading and renting, Marine activities
Marsa Abu Dhabi Real Estate Company P.J.S.C.	UAE	**12**	12.67	Real Estate
Tamek Trading and Contracting Company W.L.L.	Kuwait	**-**	20	Trading and Contracting
Ahjar Holding Company K.S.C. (Closed)	Kuwait	**17.35**	17.64	Holding Company

12 INVESTMENT IN ASSOCIATES (countined)

	2010 *KD*	*2009* *KD*
Carrying amount of investment in associates:		
At 1 January	**4,941,946**	4,219,960
Transfer from financial assets at fair value through income statement	**-**	1,499,686
Excess of fair value of investment in an associate over acquisition price	**-**	417,855
Disposal	**(133,199)**	(591,900)
Share of results	**(674,622)**	(608,641)
Share in associates' cumulative changes in fair values	**(1,215)**	1,198
Share in associates' foreign currency translation reserve	**64,985**	3,788
At the end of the year	**4,197,895**	4,941,946

	2010 *KD*	*2009* *KD*
Share of associates' assets and liabilities:		
Assets	**4,030,911**	5,287,401
Liabilities	**(601,209)**	(345,455)
Net assets	**3,429,702**	4,941,946

	2010 *KD*	*2009* *KD*
Share of associates' revenue and results:		
Revenue	**572,977**	2,556,603
Results	**(674,622)**	(608,641)

The investments in "Rawad Real Estate Company K.S.C. (Closed)", "Ahjar Holding Company K.S.C. (Closed)" and "Marsa Abu Dhabi Real Estate P.J.S.C." have been reclassified as investment in associates as the Group exercises significant influence over these entities through representation on the Board of Directors of the Company.

The Group continues to exercise significant influence over "Rawad Real Estate Company K.S.C. (Closed)", "Ahjar Holding Company K.S.C. (Closed)" and "Marsa Abu Dhabi Real Estate P.J.S.C." through representation on the board of directors of the Company.

Investment in associate with a market value of KD 1,518,620 (31 December 2009: KD Nil) are mortgaged as collateral against murabaha payables (Note 17).

13 INVESTMENT PROPERTIES

	Investment properties under construction	
	2010 *KD*	*2009* *KD*
Opening balance	**1,038,080**	160,000
Additions	**950,810**	1,119,297
Disposal	**-**	85,895
Change in fair value	**(408,634)**	(327,112)
	1,580,256	1,038,080

14 PROPERTY AND EQUIPMENT

	Land KD	*Furniture and fixtures KD*	*Tools and office equipment KD*	*Equipment KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost							
At 1 January 2010	1,500,000	96,654	61,935	756,500	14,586,745	428,878	17,430,712
Additions	-	88,411	1,585	-	9,756,329	43,512	9,889,837
Disposals	-	(22,348)	-	-	(8,902,150)	-	(8,924,498)
At 31 December 2010	**1,500,000**	**162,717**	**63,520**	**756,500**	**15,440,924**	**472,390**	**18,396,051**
Depreciation							
At 1 January 2010	-	41,546	47,420	294,343	3,063,665	-	3,446,974
Charge for the year	-	42,295	9,881	104,249	2,050,799	-	2,207,224
Relating to disposals	-	(15,498)	-	-	(2,626,522)	-	(2,642,020)
At 31 December 2010	-	**68,343**	**57,301**	**398,592**	**2,487,942**	-	**3,012,178**
Net carrying amount							
At 31 December 2010	**1,500,000**	**94,374**	**6,219**	**357,908**	**12,952,982**	**472,390**	**15,383,873**

Capital work in progress represents properties under construction and development for own use purpose.

Contracts for the purchase of vechicles from vendors for lease purposes include terms and conditions granting the Company the right to resell them to the the original vendors,, at the end of the leasing period and at the contract predetrimned price..

Land of KD 1,500,000 (31 December 2009: KD Nil) is mortgaged as collateral against murabaha payables (Note 17).

14 PROPERTY AND EQUIPMENT (continued)

	Land *KD*	*Furniture and fixtures* *KD*	*Tools and office equipment* *KD*	*Equipment* *KD*	*Motor vehicles* *KD*	*Capital work in progress* *KD*	*Total* *KD*
Cost							
At 1 January 2009	1,500,000	86,694	61,592	368,000	12,007,071	326,308	14,349,665
Additions	-	9,960	343	388,500	8,197,827	102,570	8,699,200
Disposals	-	-	-	-	(5,618,153)	-	(5,618,153)
At 31 December 2009	1,500,000	96,654	61,935	756,500	14,586,745	428,878	17,430,712
Depreciation							
At 1 January 2009	-	21,432	30,390	176,444	2,010,067	-	2,238,333
Charge for the year	-	20,114	17,030	117,899	2,316,204	-	2,471,247
Relating to disposals	-	-	-	-	(1,262,606)	-	(1,262,606)
At 31 December 2009	-	41,546	47,420	294,343	3,063,665	-	3,446,974
Net carrying amount							
At 31 December 2009	1,500,000	55,108	14,515	462,157	11,523,080	428,878	13,983,738

15 SHARE CAPITAL

	Authorised, issued and fully paid	
	2010	*2009*
	KD	*KD*
160,500,000 shares of 100 fils each	**16,050,000**	16,050,000

16 RESERVES

a) **Statutory reserve**

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit before contribution to Kuwait Foundation for the Advancement of Sciences, Zakat, and directors' fees is transferred annually to the statutory reserve. The Parent Company may discontinue such transfer when the reserve totals 50% of paid up share capital.

Distribution of the 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 dividend of that amount.

No transfer has been made to statutory reserve since losses have been incurred for the year ended 31 December 2010.

b) **General reserve**

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, Zakat, and directors' fees is transferred annually to general reserve. The Parent Company may resolve to discontinue such annual transfers in accordance with a resolution of the Parent Company's ordinary general meeting based on a proposal submitted by the Parent Company's Board of Directors.

No transfer has been made to general reserve since losses have been incurred for the year ended 31 December 2010.

17 ISLAMIC FINANCING PAYABLES

	Ijara 2010 KD	***Wakala 2010 KD***	***Murabaha 2010 KD***	***Tawarruq 2010 KD***	***Total 2010 KD***
Gross amount	-	**1,947,377**	**11,538,919**	-	**13,486,296**
Less: deferred profit	-	-	**(140,189)**	-	**(140,189)**
	-	**1,947,377**	**11,398,730**	-	**13,346,107**

	Ijara 2009 KD	*Wakala 2009 KD*	*Murabaha 2009 KD*	*Tawarruq 2009 KD*	*Total 2009 KD*
Gross amount	24,955	1,953,485	-	11,761,065	13,739,505
Less: deferred profit	(3,062)	(12,546)	-	(252,408)	(268,016)
	21,893	1,940,939	-	11,508,657	13,471,489

The fair value of Islamic financing payables approximates the carrying value as at 31 December 2010 (31 December 2009: fair value approximates the carrying value). The effective rate of profit payable approximates 6.50% (31 December 2009: 7.34%) per annum.

17 ISLAMIC FINANCING PAYABLES (continued)

Included in Islamic financing payable are contracts amounting to KD 4,862,876 (2009: KD Nil) secured of investments in associate amounting to KD 1,518,620 (2009: KD Nil), investment in subsidiaries amounting to KD 3,844,257 (2009: KD Nil), financial assets available for sale investment KD 338,625 and Land amounting to KD 1,500,000 (2009: KD Nil).

18 OTHER LIABILITIES

	2010	*2009*
	KD	*KD*
Trade accounts payable	**504,409**	699,693
Payable on purchase of property under devolpment	**294,953**	303,737
Employees' leave and end of service benefits	**103,706**	151,080
Other payables and accrued expenses	**407,864**	386,840
	1,310,932	1,541,350

As other liabilities are short term in nature, fair value approximates carrying value at 31 December 2010 (31 December 2009: fair value approximates the carrying value).

19 PROPOSED DIRECTORS' REMUNERATION AND BONUS SHARES

No directors' remuneration is proposed for the year ended.

No dividend has been proposed for 31 December 2010 by the Board of Directors.

20 COMMITMENTS AND CONTINGENCIES

The Group has commitments in respect of uncalled capital contributions amounting to KD 3,931,416 (31 December 2009: 3,931,416) relating to investments in associates

At 31 December 2010, the Group have given bank guarantees, limited to KD 52,500 (31 December 2009: KD 102,500) from which it is anticipated that no material liabilities will arise.

At 31 December 2010, the Group have given third party guarantees, limited to KD 9,750,000 on behalf of its subsidiaries from which it is anticipated that no material liabilities will arise.

Legal claims

(A) Lease Contract Joint Guarantee
During the year ended 31 December 2007, the Parent Company signed two lease contracts amounting to KD 1,640,250 and 1,120,625 respectively as an irrevocable joint guarantor for one of its subsidiaries, the terms state that "the guarantors along with the lessee are fully responsible for payment of the contract amount to the leasor and therefore it has right to claim directly from us in all of your movable and immovable properties for the above referred amount on delay in the repayment of all or any of the payments by the lessee on its maturity in any ways it is deemed proper. In addition whatever of commissions of expenses caused due to the delay or claim".

Consequently, the lessor has filed legal claims against the Subsidiary and the Parent Company, stating that the lessee and its guarantors were given warning on 25 October 2009 to pay outstanding amounts. After the grace period of one week, legal proceedings were started in the court of law against the said parties which are still in process.

The legal consultants of the Parent Company are of the opinion that the case will be in the Company's favor.

20 COMMITMENTS AND CONTINGENCIES (continued)

Legal claims (continued)

(b) Lease Contract Guarantee
During the year ended 31 December 2007, the Parent Company signed lease contract as an irrevocable guarantor for one of its subsidiaries amounting to KD 200,000

Consequently, the lessor has filed legal claims against the lessee and its guarantor, the court issued a verdict obligating lessee and its guarantors to pay the outstanding balance, the client appealed the verdict which is still under process. The legal advisor of the Parent Company is on the view that the final outcome will be in favor of the company.

21 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and executive officers of the Parent Company, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

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

	Associates	*Major shareholders*	*Other related parties*	***2010***	*2009*
	KD	*KD*	*KD*	***KD***	*KD*
Islamic financing income	-	-	-	-	65,000

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

	Associates	*Major shareholders*	*Other related parties*	***2010***	*2009*
	KD	*KD*	*KD*	***KD***	*KD*
Islamic financing receivables	-	-	**250,000**	**250,000**	3,986,037

Key management compensation:

	2010	*2009*
	KD	*KD*
Salaries and other short term benefits	**312,306**	206,576
End of service benefits	**10,656**	122,121
	322,962	328,697

22 SEGMENT INFORMATION

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

- Investment activities: comprises participation in financial and real estate funds and managing the Group's liquidity requirements.
- Real estate investment activities: comprises 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.
- Islamic financing activities: comprises range of Islamic products to financial institutions and individual customers.

22 SEGMENT INFORMATION (continued)

	Investment activities		*Real estate investment activities*		*Islamic financing activities*		*Total*	
	31 December 2010 KD	*(Audited) 31 December 2009 KD*	***31 December 2010 KD***	*(Audited) 31 December 2009 KD*	***31 December 2010 KD***	*(Audited) 31 December 2009 KD*	***31 December 2010 KD***	*(Audited) 31 December 2009 KD*
Segment income (loss)	**(633,397)**	(394,317)	**-**	751,723	**4,398,004**	4,780,262	**3,764,607**	5,137,668
Segment profit (loss)	**(633,397)**	23,538	**(408,634)**	424,611	**(865,856)**	(1,522,151)	**(1,907,887)**	(1,074,002)
Unallocated expenses							**(1,153,873)**	(2,598,775)
Loss for the period/year							**(3,061,760)**	(3,672,777)
Segment assets	**5,910,734**	8,853,352	**7,877,178**	7,335,002	**15,950,120**	15,989,563	**29,738,032**	32,177,917
Unallocated assets							**3,044,266**	3,602,720
Total assets							**32,782,298**	35,780,637
Segment liabilities	**-**	-	**-**	-	**13,346,107**	13,471,489	**13,346,107**	13,471,489
Unallocated liabilities							**1,310,932**	1,541,350
Total liabilities							**14,657,039**	15,012,839

23 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

23.1 CONCENTRATION

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The distribution of assets by industry sector was as follows:

	2010 *KD*	*2009* *KD*
Banks and financial institutions	**1,440,699**	1,612,478
Construction and real estate	**9,586,117**	7,335,002
Consumer	**15,909,037**	2,005,825
Others	**5,846,445**	24,827,332
	32,782,298	35,780,637

23.2 CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Parent Company's policies and procedures include specific guidelines in the line with CBK regulations to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 CREDIT RISK (continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross (net of provision), before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2010 KD	*Gross maximum exposure 2009 KD*
Islamic financing receivables:		
Ijara	**275,164**	254,500
Tawarruq	**250,000**	5,461,234
Total credit risk exposure	**525,164**	5,715,734

Collateral and other credit enhancements
The tawarruq and ijara financing receivables are primarily secured against the underlying assets. Management monitors the market value and where necessary requests additional collateral obtained during its review of the adequacy of the provision of impairment for credit losses. The Group can sell the collateral in case of default by the borrower in accordance with the agreements entered into with the borrowers.

Credit quality per class of financial assets
Neither internal credit grading system nor external credit grades are used by the Group to manage the credit quality of tawarruq and ijara financing receivables.

The Group manages the credit quality by ensuring that adequate collaterals are available for all the individual facilities granted, which the management reviews on a regular basis.

The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in business through diversification of financing and investing activities. An analysis of gross Islamic financing receivables without provision of impairment, by age, is provided below:

	Neither past due nor impaired 2010 KD	***Past due or Impaired 2010 KD***	***Total 2010 KD***
Islamic financing receivables:			
Ijara	**275,164**	-	**275,164**
Tawarruq	-	**250,000**	**250,000**
	275,164	**250,000**	**525,164**

	Neither past due nor impaired 2009 KD	*Past due or Impaired 2009 KD*	*Total 2009 KD*
Islamic financing receivables:			
Ijara	254,500	-	254,500
Tawarruq	5,461,234	-	5,461,234
	5,715,734	-	5,715,734

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group 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 have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Analysis of financial assest and liabilities by remaining contractual maturities

The contractual maturities of assets and liabilities have been determined on the basis of the remaining year at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets is based on contractual maturities or in the case of financial assets available for sale and trading properties, on management's estimate of planned for likly exit dates. The maturity profile of the liabilities is based on undiscounted contractual amounts.

The maturity profile of the assets, equity and liabilities at 31 December 2010 was as follows:

	Within 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*1 to 3 years KD*	*Over 3 years KD*	*Total KD*
ASSETS						
Bank balances and cash	1,440,699	-	-	-	-	1,440,699
Islamic financing recievables	275,164	-	-	250,000	-	525,164
Financial assets at fair value through income statement	3,900	-	-	-	-	3,900
Other assets	-	-	801,783	801,784	-	1,603,567
Trading properties	-	-	-	6,296,922	-	6,296,922
Financial assets available for sale	-	-	-	1,708,939	-	1,708,939
Investment in associates	-	-	-	4,197,895	-	4,197,895
Investment properties	-	-	-	1,580,256	-	1,580,256
Properties and equipment	-	-	-	15,383,873	-	15,383,873
Intangible assets	-	-	-	41,083	-	41,083
	1,719,763	-	801,783	30,260,752	-	32,782,298
LIABILITIES						
Islamic financing payables	2,992,583	5,335,598	3,267,926	1,890,189	-	13,486,296
Other liabilities	327,733	327,733	655,466	-	-	1,310,932
	3,320,316	5,663,331	3,923,392	1,890,189	-	14,797,228
NET ASSETS	(1,600,553)	(5,663,331)	(3,121,609)	28,370,563	-	17,985,070

23 RISK MANAGEMENT (continued)

23.3 LIQUIDITY RISK (continued)

The maturity profile of the assets and liabilities at 31 December 2009 was as follows:

	Within 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*1 to 3 years KD*	*Over 3 years KD*	*Total KD*
ASSETS						
Bank balances and cash	1,612,478	-	-	-	-	1,612,478
Islamic financing recievables	1,278,948	-	-	-	726,877	2,005,825
Financial assets at fair value through income statement	4,680	-	-	-	-	4,680
Other assets	-	1,942,159	-	-	-	1,942,159
Trading properties	-	-	-	6,296,922	-	6,296,922
Financial assets available for sale	-	-	-	3,906,726	-	3,906,726
Investment in associates	-	-	-	4,941,946	-	4,941,946
Investment properties	-	-	-	1,038,080	-	1,038,080
Properties and equipment	-	-	-	13,983,738	-	13,983,738
Intangible assets	-	-	-	-	48,083	48,083
	2,896,106	1,942,159	-	30,167,412	774,960	35,780,637
LIABILITIES						
Islamic financing payables	6,218,000	5,253,489	1,000,000	1,268,016	-	13,739,505
Other liabilities	650,000	398,350	-	493,000	-	1,541,350
	6,868,000	5,651,839	1,000,000	1,761,016	-	15,280,855
NET ASSETS	(3,971,894)	(3,709,680)	(1,000,000)	28,406,396	774,960	20,499,782

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

	On demand KD	***Less than 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Over 5 years KD***	***Total KD***
31 December 2010						
Contingent liabilities	**-**	**-**	**52,500**	**-**	**-**	**52,500**
Commitments	**-**	**-**	**-**	**13,681,416**	**-**	**13,681,416**
	-	**-**	**52,500**	**13,681,416**	**-**	**13,733,916**
31 December 2009						
Contingent liabilities	-	-	102,500	-	-	102,500
Commitments	-	-	-	3,931,416	-	3,931,416
	-	-	102,500	3,931,416	-	4,033,916

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

23.4 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair values.

23 RISK MANAGEMENT (continued)

23.4 MARKET RISK (continued)

The Group is not exposed to any risk in terms of the reprising of its liabilities since the Group does not provide contractual rates of return to its depositors in accordance with Islamic Shareea'a.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks.

The effect on equity (as a result of a change in the fair value of equity instruments held as available for sale and on (loss) profit (as result of change in fair value of equity instruments held as financial assets at fair value through income statement) due to a reasonably possible change in equity price indices, with all other variables held constant, is as follows:

Market indices	***Change in equity price 2010 %***	***Effect on Loss 2010 KD***	***Effect on equity 2010 KD***	*Change in equity price 2009 %*	*Effect on profts 2009 KD*	*Effect on equity 2009 KD*
KSE	**±10**	**390**	**170,894**	±10	468	390,672

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group believes it is not exposed to interest rate risk as its financial instruments are Islamic financial instruments with fixed profit rate.

Currency risk
Currency risk is managed by the treasury department of the Parent Company on the basis of limits determined by the Parent Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The Group had the total AED assets and liability exposure at 31 December 2010 equivalent to KD 8,036,198 (2009: KD 6,595,000).

The effect on loss before KFAS, Zakat and Directors' fees (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:

	31 December 2010		*31 December 2009*	
Currency	***Change in currency rate in %***	***Effect on Loss KD***	*Change in currency rate in %*	*Effect on profit KD*
AED	**±1**	**2,956**	±1	6,595

23.5 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

23 RISK MANAGEMENT (continued)

23.6 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the year ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's policy is to keep the gearing ratio less than 1. The Group includes within net debt, total liabilities less bank balances and cash and cumulative changes in fair values. Capital includes equity attributable to the equity holders of the Parent less revaluation reserve.

	2010	*2009*
	KD	*KD*
Total liabilities	**14,657,039**	15,012,839
Less: Bank balances and cash	**1,440,699**	(1,612,478)
Net debt	**13,216,340**	13,400,361
Equity attributable to the equity holders of the Parent	**15,035,623**	18,180,463
Less: cumulative changes in fair values	**41,387**	40,172
Total capital	**14,994,236**	18,220,635
Gearing ratio	**0.88**	0.73

24 FIDUCIARY ACCOUNTS

The aggregate value of the assets held in a trust or a fiduciary capacity by the Group at 31 December 2010 amounted to KD 108,032,923 (2009: KD 103,909,100). The total income earned from fiduciary activities amounted to KD 442,054 (2009: KD 257,528).

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of Islamic financing receivables, financial assets at fair value through income statement, financial assets available for sale. Financial liabilities consist of Islamic financing payables.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale, With the exception of certain financial assets available for sale carried at cost (Note 12) are not significantly different from their carrying values at the reporting date.

As at 31 December 2010, the Group held the following financial instruments measured at fair value:

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or 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.
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets measured at fair value:

31 December 2010	*Total KD*	*1 Level KD*	*2 Level KD*	*3 Level KD*
Financial assets at fair value through income statement	**3,900**	**3,900**	**-**	**-**
Financial assets a vailable for sale	**1,274,005**	**-**	**-**	**1,274,005**
	1,277,905	**3,900**	**-**	**1,277,905**

31 December 2009	*Total KD*	*1 Level KD*	*2 Level KD*	*3 Level KD*
Financial assets at fair value through incomestatement	4,680	4,680	-	-
Financial assets available for sale	3,155,323	-	-	3,155,323
	3,160,003	4,680	-	3,155,323

The fair value of financial assets under level 3 is determined by related investment manager.. During the year, there have been no transfers between the hierarchies.