Al Madina for Finance and Investment Company - K.S.C. (Closed)
And it's subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditors' Report
For the year ended 31 December 2010

Al Madina for Finance and Investment Company - K.S.C. (Closed)
And it's subsidiaries
State of Kuwait

Contents **Pages**

Independent Auditors' Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Income	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 27

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Al Madina for Finance and Investment Company - K.S.C. (Closed)
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Al Madina for Finance and Investment Company K.S.C. (Closed)
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained 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 Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of provision of the Commercial Companies Law of 1960, as amended, or of the Articles of Association have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the Group or on its consolidated 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 organization of banking business, and its related regulations during the year ended 31 December 2010 except what was mentioned in (Note 13.4) of the consolidated financial statements as the Group received Murabaha from investment fund.

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Kuwait
5 April 2011

Al Madina for Finance and Investment- KSC. (Closed)
And subsidiaries

Consolidated Statement of Financial Position as at 31 December 2010

(All amounts are in Kuwaiti Dinars)

	Note	2010	2009
Assets			
Cash and cash equivalent	5	602,997	733,804
Investments in Murabaha and Mudaraba	6	11,835,437	10,799,510
Investments at fair value through profit or loss	7	12,499,982	13,946,564
Receivables and other debit balances	8	14,620,995	28,432,460
Properties held for trading	9.1	2,232,258	-
Land and real estate under development	9	2,951,982	8,301,717
Investment properties	10	50,855,903	43,106,769
Investments in associates	11	50,246,981	52,770,521
Property and equipments		5,712,087	5,455,521
Total assets		151,558,622	163,546,866
Liabilities and equity			
Liabilities			
Payables and other credit balances	12	12,117,447	13,491,079
Wakala payable	13	64,759,046	62,609,682
Employees' end of service indemnity		291,186	246,057
Total Liabilities		77,167,679	76,346,818
Equity			
Equity attributable to shareholders of the parent Company			
Share capital	14	40,706,523	37,780,875
Share premium		33,803,510	30,936,375
Treasury shares	15	(5,028,120)	(5,007,330)
Statutory reserve	16	3,507,676	3,507,676
Voluntary reserve	16	3,409,102	3,409,102
Other reserves	17	(289,650)	1,996,787
Accumulated losses		(9,019,810)	(4,874,749)
Total equity attributable to shareholders of the Parent Company		67,089,231	67,748,736
Non-controlling interest		7,301,712	19,451,312
Total equity		74,390,943	87,200,048
Total liabilities and equity		151,558,622	163,546,866

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

Khalid Y Al Mutawa
Chairman & Managing Director

Sheikh \ Hmoud Shamlan Alsubah
Vice chairman

Al Madina for Finance and Investment- KSC. (Closed)
And subsidiaries

Consolidated Statement of Income for the year ended 31 December 2010

(All amounts are in Kuwaiti Dinars)

	Note	2010	2009
Revenues			
Losses from investments	18	(42,285)	(1,108,981)
Losses from investments in associate and subsidiaries	19	(701,589)	(5,619,652)
Real estate income	20	8,842,390	3,688,931
Consultancy services income		653,472	1,165,601
Gains / (losses) from foreign exchange differences		231,736	(616,597)
Gross profit from oil fields services and others		946,580	822,359
Other Income		60,178	50,997
		9,990,482	(1,617,342)
Expenses and other charges			
Finance cost		(3,239,693)	(4,556,579)
General and administrative expenses	21	(2,150,967)	(2,688,305)
Provision for impairment	(6 & 8)	(15,014,054)	(783,957)
		(20,404,714)	(8,028,841)
Net loss for the year		(10,414,232)	(9,646,183)
Attributable to:			
Shareholders of the Parent Company		(8,242,883)	(9,529,443)
Non-controlling interest		(2,171,349)	(116,740)
		(10,414,232)	(9,646,183)
Loss per share (fils)	22	(22.21)	(26.76)

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2010

(All amounts are in Kuwaiti Dinars)

	2010	2009
Net loss for the year	(10,414,232)	(9,646,183)
Group's share in associate's comprehensive (loss) / income	(1,717,583)	1,248,767
Group's share in associate gains resulted from disposal of treasury shares	4,192	-
Foreign currency translation differences	(660,692)	911,887
Other comprehensive (loss) / income	(2,374,083)	2,160,654
Total comprehensive loss for the year	(12,788,315)	(7,485,529)
Attributable to:		
The shareholders of the Parent Company	(10,525,128)	(7,730,681)
Non-controlling interest	(2,263,187)	245,152
	(12,788,315)	(7,485,529)

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2010

(All amounts are in Kuwaiti Dinars)

	Parent company's share holders equity								Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (note 17)	Retained earnings / (accumulated losses)	Total equity attributable to the Parent Company's shareholders		
Balance as at 1 January 2009	37,780,875	30,936,375	(5,077,087)	3,507,676	3,409,102	(1,174,947)	8,314,232	77,696,226	18,203,493	95,899,719
Effect of reclassification investment in associate	-	-	-	-	-	-	(2,098,554)	(2,098,554)	-	(2,098,554)
	37,780,875	30,936,375	(5,077,087)	3,507,676	3,409,102	(1,174,947)	6,215,678	75,597,672	18,203,493	93,801,165
Total comprehensive income / (losses) for the year	-	-	-	-	-	3,171,734	(10,902,415)	(7,730,681)	245,152	(7,485,529)
Change of non-controlling interest	-	-	-	-	-	-	-	-	1,002,667	1,002,667
Purchase of treasury shares	-	-	(399,085)	-	-	-	-	(399,085)	-	(399,085)
Sale of treasury shares	-	-	468,842	-	-	-	(188,012)	280,830	-	280,830
Balance as at 31 December 2009	37,780,875	30,936,375	(5,007,330)	3,507,676	3,409,102	1,996,787	(4,874,749)	67,748,736	19,451,312	87,200,048
Balance as at 1 January 2010	37,780,875	30,936,375	(5,007,330)	3,507,676	3,409,102	1,996,787	(4,874,749)	67,748,736	19,451,312	87,200,048
Total comprehensive losses for the year	-	-	-	-	-	(2,286,437)	(8,238,691)	(10,525,128)	(2,263,187)	(12,788,315)
Share capital increase	2,925,648	2,867,135	-	-	-	-	-	5,792,783	-	5,792,783
Acquisition of additional stake in a subsidiary (note 23)	-	-	-	-	-	-	4,093,630	4,093,630	(9,886,413)	(5,792,783)
Purchase of treasury shares	-	-	(20,790)	-	-	-	-	(20,790)	-	(20,790)
Balance as at 31 December 2010	40,706,523	33,803,510	(5,028,120)	3,507,676	3,409,102	(289,650)	(9,019,810)	67,089,231	7,301,712	74,390,943

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

Consolidated Statement of Cash Flows for the year ended 31 December 2010

(All amounts are in Kuwaiti Dinars)

	Note	2010	2009
Cash flows from operating activities			
Net loss for the year		(10,414,232)	(9,646,183)
Adjustments:			
Losses from investments		42,285	1,108,981
Losses from investment in associates and subsidiaries		701,589	5,619,652
Gain from real estate		(8,636,725)	(3,193,631)
Finance cost		3,239,693	4,556,579
Provision for impairment		15,014,054	783,957
Depreciation and amortization		493,820	239,657
End of service's indemnity		45,129	74,072
Operating profit / (loss) before changing in the operating assets and liabilities		485,613	(456,916)
Investments at fair value through profit or loss		522,757	(289,385)
Receivables and other debit balances		389,442	(1,572,468)
Payables and other credit balances		329,958	2,938,229
Net cash generated from operating activities		1,727,770	619,460
Cash flows from investing activities			
Investments in Murabaha		-	16,786,698
Dividends received		-	749
Net cash paid for acquisition of investment in associates		(4,485,542)	(33,169,785)
Net cash proceeds from selling investment in associate		4,594,103	34,196,147
Paid for purchase of land and real estate held for trading		(1,867,654)	-
Paid for purchase of land and real estate under development		(1,654,564)	(2,974,482)
Proceeds from sale of land and real estate under development		3,993,552	-
Cash paid for acquisition of additional stake in a subsidiary	23	(5,792,783)	-
Paid for purchase of investment properties		(576,967)	(869,020)
(Payment for) / proceeds from sale of property and equipments		(750,386)	152,545
Net cash (used in) / generated from investing activities		(6,540,241)	14,122,852
Cash flows from financing activities			
Wakala payable		-	(11,044,460)
Payment of finance costs		(1,090,329)	(4,286,108)
Change in non-controlling interest		-	361,892
Proceeds from share capital increase		5,792,783	-
Purchase of treasury shares		(20,790)	(399,085)
Sale of treasury shares		-	280,831
Net cash generated from / (used in) financing activities		4,681,664	(15,086,930)
Net decrease in cash and cash equivalents		(130,807)	(344,618)
Cash and cash equivalents at the beginning of the year		733,804	1,078,422
Cash and cash equivalents at the end of the year	5	602,997	733,804

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

1. Incorporation of the Group

Al Madina for Finance and Investment Company (the Parent Company) is a Closed Kuwaiti Shareholding Company incorporated in Kuwait on 1980 and is registered as an investment company with the Central Bank of Kuwait on 27 April 2005. The shares of the Parent Company were listed on Kuwait Stock Exchange in 24 April 2006. The Parent Company's headquarter office is domiciled at Ahmed Al Jabber , sharq, Kuwait.

The Group comprises of the Parent Company and its consolidated subsidiaries "together referred to as the Group" – (Note 23).

The principle activities of the Group are representing in all investing activities, finance and management of funds and rights. Trading and leasing of lands and real estate and providing oilfield services. The activities of the Group are carried out in accordance with Noble Islamic Sharia principles.

The consolidated financial statements were authorized for issue by the Board of Directors on 5 April 2011.

2. Basis of preparation and Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the state ok Kuwait on the historical cost basis except for certain financial instruments that are measured at fair values.

2.1.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 5 *(Non-current Assets Held for Sale and Discontinued Operations)*	The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5. All the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.
Amendments to IAS 1 Presentation of Financial Statements	The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.
Amendments to IAS 7 Cash Flows	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

IFRS 3 (revised in 2008) Business Combinations	IFRS 3(2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. IFRS 3(2008) changes the recognition and subsequent accounting requirements for contingent consideration. IFRS 3(2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred.
IAS 27 (revised in 2008) Consolidated and Separate Financial Statements	The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Increases in interests in existing subsidiaries or decreases in interests in existing subsidiaries that did not involve a loss of control are dealt with in equity, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.
IAS 28 (revised in 2008) Investments in Associates	The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28.
IFRIC 17 Distributions of Non-cash Assets to Owners	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
IFRIC 18 Transfers of Assets from Customers	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 Revenue.

2.1.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments
Amendments to IFRS 7	Level of disclosures about Credit risk and collateral held
IAS 24	Related Party Disclosures
Amendments to IAS 1	Presentation of analysis of items of other comprehensive income
Amendments to IAS 32	Classification of Rights Issues
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

- IFRS 9 "financial instruments": Classification and Measurement. This standard was issued in November 2010 and becomes effective for financial years beginning on or after 1 January 2013. This standard establishes principles for the financial reporting of financial assets that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.

- Most of other amendments will have impact on disclosures and presentation only.

2.2 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Any related accumulated items in equity will be accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised immediately in the profit or loss. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.3 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 3.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including trade and other receivables and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment.

Murabaha is the sale of commodities and real estate at cost plus an agreed profit markup whereby the seller informs the purchaser of the price which he purchases the product and also stipulates on amount of profit.

Wakala is an agreement whereby the Group provides a sun of money to a customer under as agency arrangement, who interests it according to a specific conditions return for a fee. The agent is obliged to return the amount in case of default negligence or violation of any terms and conditions of the Wakala.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% of all receivables net of certain restricted categories of collateral and not subject to specific provision.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities

Financial liabilities (including borrowings) are recognised initially at fair value, net of transaction costs incurred subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.4 Lands and real estate held for trading

Lands and real estate held for trading are stated at cost when acquired. Cost is determined on an individual basis for such land or real estate. Cost represents the fair value of the consideration given, plus ownership transfer fee and brokerage expenses. Land and real estate held for trading are classified under current assets and are valued at the lower of cost or its net realizable value on an individual basis. Net realizable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale.

2.5 Land and real estate under development

Land and real estate under development are recognized at cost, which includes development costs. When the development process is completed, the land and real estate are classified either as investment properties or land and real estate held for trading or as property for the Group's self-occupation as per management intention regarding the future use of these properties.

Land and real estate to be used as investment properties are considered as investment properties recognized at cost and then re-measured at fair value. In case there is no reliable method of measuring fair value of such land under development, the properties are recognized at cost till the date of completion of developing the property or the date of reliably determine their fair value, whichever occurs first.

2.6 Investment properties

Investment Properties not occupied by the Group and acquired for long-term leases or for capital appreciation in future are classified as investment properties. Investment properties are stated at cost on acquisition and re-measured at fair value. Fair value is determined by an independent registered value on each balance sheet date. Gains or losses arising from change in fair value are recognized in the statement of income.

2.7 Property and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

2.8 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.9 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.10 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.11 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.12 Proposed dividends

The dividends attributable to shareholders of the Parent Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.13 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Company's, functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognised as a separate component of equity.

2.14 Revenues recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Revenue from sale of lands and real estate developer are recognized on the statement of income based on percentage of completion. The percentage of completion are recognized from the actual cost to estimated cost to be completed.
- Services revenues are recognized when the services are rendered.
- Profit income from Murabaha and Wakala is recognized on time basis.
- Dividend income is recognized when the right to receive payment has been established.

2.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

2.16 Zakat

The Parent Company calculates and announces Zakat payable on each share. The shareholders are responsible for the payment.

2.17 Fiduciary assets

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

3. Financial risk management

3.1 Financial risk factors

The activities of the group expose it to a Group of financial risks, which are market risks, which include (foreign currency risks and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and risks of market prices) in addition to credit risk and liquidity risks.

The Group management for these financial risks is concentrated in continues evaluation of market conditions and trends and the management assessment for long and short-term market factors change.

(A) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions take place on recognized assets or liabilities which are denominated in a currency that is not the entity's functional currency.

The Group has set up policies to manage its foreign exchange risk against their functional currency, through diversifying its investments geographically and financing its investments in foreign currency through borrowing denominated in the same currency. In general, the Group concentrates its investments in Kuwait Dinar to avoid the fluctuation in foreign currency rates.

If the US $ had changed by 5% against the Kuwaiti Dinar with all other variables held constant, net profit for the year and the effect on equity would be :

	Impact on statement of income	
Description	**2010**	**2009**
USD	(205,490)	(161,904)

Following is the net positions of foreign currencies as of 31 December:

	2010	**2009**
USD	(4,109,792)	(3,238,079)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated balance sheet as fair value through profit and loss. To manage this risk, the Group diversifies its portfolio within the limits set by the group. All investments decisions are taken by the persons who are authorized by the Board of Directors. Most of the group investments are in quoted and unquoted securities and funds.

(iii) 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 is not exposed to interest rate risk as the group works under Islamic Sharea. Profits from Murabaha and Wakalat investments and costs of Murabaha and Wakala payables are allocated on the time of the deal based on the effective rate of return.

(B) Credit risk

The credit risk is the risk that the Group will incur a loss as a result from its customers, clients or counterparties failure to discharges their contractual obligations against the Group. Assets which are exposed to credit risk are cash and cash equivalents, finance lease receivables, Wakala and Murabaha receivables, receivables on sale of properties and due from related parties.

For cash and cash equivalent the group manage this risk by dealing with high credit reputation institutes.

For Receivables on sale of properties, finance lease receivables and other customers, the group assesses their credit quality taking into consideration its financial position, past experience and reputation. In addition to that, the group keeps the ownership of the sold assets until settling the total outstanding installments or obtaining other collaterals.

The table below shows the maximum exposure to credit risk for the components of the balance sheet without taking into consideration the collaterals:

	2010	2009
Cash and cash equivalent	602,997	733,804
Investments in Murabaha	12,108,861	11,019,252
Real estate sales receivables	10,433,895	9,769,918
Advance payment for purchase Real-estate	14,933,680	14,933,680
Due from related parties	1,484,710	2,624,227
	39,564,143	39,080,881

(C) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management has diversified funding sources, manages assets and monitors future cash flows and liquidity on a daily basis. This encompasses an assessment of expected cash flows and the availability of high grade collaterals which could be used to secure additional funding if required.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2010		
	Within one year	From 1 year to 2 years	From 2 to 5 years
Liabilities			
Payables and other credit balances	8,670,571	2,579,400	867,476
Wakala payable	12,985,994	17,762,000	23,006,059

	2009		
	Within one year	From 1 year to 2 years	From 2 to 5 years
Liabilities			
Payables and other credit balances	4,394,100	4,633,134	4,463,845
Wakala payable	8,222,470	29,875,339	21,064,921

In addition to Wakala payables mentioned above, there is Wakala payables amounted to KD 12,069,598 (KD 12,069,598 – 2009) are past due (note 13.6).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital. In order to maintain or adjust the capital structure, the Group monitors capital on the basis of gearing ratio.

The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing rate as of 31 December is as follows:

	2010	2009
Total finance	64,759,046	62,609,682
Less : Cash and cash equivalents	(602,997)	(733,804)
Net debt	64,156,049	61,875,878
Total equity	74,390,943	87,200,048
Total capital	138,546,992	149,075,926
Gearing ratio (%)	46.31	41.50

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below represents investments at fair value analysis on the levels above mentioned:

	2010	2009
Level one	1,310,566	2,493,109
Level two	3,099,621	3,350,425
Level three	8,089,795	8,103,030
	12,499,982	13,946,564

4. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, which are described in note 2, the Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources concerning current period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

Valuation of financial instruments

As described in note 3, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

The management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note (2.2). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Impairment of receivables

The Group reviews its receivables to assess impairment on regular basis. In determining whether an impairment loss should be recorded by management is required to estimate the amount and timing of future cash flows when determining the level of provisions required.

The methodology and assumptions used for estimating both the amount and timing if future cash flows are reviewed regularly to reduce any differences between loss estimated and the actual loss experienced.

5. Cash and cash equivalent

	2010	2009
Cash at bank and financial institutions	402,307	579,790
Cash at Kuwait Clearing company	197,461	151,605
Cash on hand	3,229	2,409
	602,997	733,804

6. Investments in Murabaha and Mudaraba

	2010	2009
Murabahat	491,500	491,500
Mudarabat	12,108,861	11,019,252
	12,600,361	11,510,752
Provision for impairment	(764,924)	(711,242)
	11,835,437	10,799,510

6.1 The average effective rate of return on Murabaha and Mudaraba is from 6 to 7% as of 31 December 2010 (8% as of 31 December 2009) due during 2011.

6.2 Investment in Mudaraba includes an amount of KD 11,987,772 granted to a related party as of 31 December 2010 (KD 10,799,510 as of 31 December 2009). This Mudaraba is secured by quoted investments in a portfolio managed by the Group on behalf of these parties. The fair value of such guarantees is amounted to KD 8,201,439 as of 31 December 2010 (KD 12,389,692 as of 31 December 2009) in addition to shares with fair value of KD 982,800 granted from the same party to one of the local banks against a Murabaha payables granted to the Parent Company.

6.3 During the year, the Group has settled a credit balance of KD 2,088,649 due to a related party by closing Mudaraba receivable due from the same party. This transaction was eliminated from the statements of cash flow, as it is non-cash transaction.

7. Investments at fair value through profit or loss

	2010	2009
Held for trading investments	1,310,565	2,493,109
Investments designated at fair value through profit or loss at inception	11,189,417	11,453,455
	12,499,982	13,946,564
Investments in local shares – quoted	1,310,565	2,493,109
Investments in local shares – unquoted	4,533,228	4,546,463
Investments in foreign shares – unquoted	3,556,567	3,556,567
Investments in local funds – unquoted	1,804,609	1,980,194
Investments in foreign funds – unquoted	1,295,013	1,370,231
	12,499,982	13,946,564

7.1 Investments at fair value through profit or loss have been valuated based on the valuation techniques (note3.3). The fair value of local and foreign unquoted shares was estimated according to valuation models and based on the latest available information of the financial position, results of operation of investee companies, and the expected future profits for these companies as of 31 December 2010.

7.2 Investments at fair value through profit and loss are dominated into the following currencies:

	2010	2009
Kuwaiti Dinar	7,648,402	9,019,766
US Dollar	4,851,580	4,926,798
	12,499,982	13,946,564

8. Receivables and other debit balances

	2010	2009
Sale of properties receivables	10,433,895	9,769,918
Advance payments for purchase of property under development	14,933,680	14,933,680
Purchase of properties receivables	1,814,174	-
Due from related parties (Note 25)	1,484,710	2,624,227
Rig lease debtors	254,496	1,256,715
Cash restricted against letters of guarantee	1,489,284	933,340
Accrued rents (note 10.2)	491,210	491,210
Other debit balances (net)	1,075,344	818,796
	31,976,793	30,827,886
Less: provision for impairment	(17,355,798)	(2,395,426)
	14,620,995	28,432,460

8.1 Sale of properties receivables represents the balance due from selling developed properties. The transfer of the ownership of these properties to the buyers takes place upon settlement the full amount due. Receivable from sale of real estates due within more than one year was discounted to KD 3,272,697 as of 31 December 2010, the related deferred revenue amounted to KD 374,348. The receivables balance from selling properties that are impaired and a full provision provided were KD 1,729,176 as of 31 December 2010 (KD 1,729,176 as of 31 December 2009).

8.2 On July 2008, based on purchase agreement and promise for resale signed with a third party, the Group acquired four companies established in Cayman Island engaged in a real estate development project in Reem Island-Abu Dhabi with an estimated development cost of KD 202,079,069 (equivalent to AED 2,582,480,000). The Group paid an amount of KD 14,933,680 (equivalent to AED 204,624,000) as an advance payment for purchase of real estates. The Group is unable to resell the companies and is currently negotiating with the third party and the developer to recover the advance payments. During the current year, the Group has recorded an impairment for the total advance payment amounted to KD 14,933,680.

8.3 During the period, the Group has transferred the net carrying value of a land acquired in the Kingdom of Saudi Arabia under primary-sharing contracts their carrying value amounted to KD 1,967,753 from lands and real estate under development to receivables from purchase of properties. There are lawsuits to refund the amounts paid in addition to compensation as the buyer has not committed to transfer the ownership of those lands. The Group signed an agreement with this party and it was authenticated in the courts of the Kingdom of Saudi Arabia, according to this agreement the Group will receive cash amounted to KD 1,214,276 and a property amounted to KD 753,477. During the year ended 31 December 2010, the Group received cash of KD 153,579 (Equivalent to SAR 2,000,000).

9. Land and real estate under development

	2010	2009
Balance as of 1 January	8,301,717	8,752,932
Additions	1,654,564	2,974,482
Cash received	-	(37,940)
Transferred to investment property	-	(151,763)
Transferred to purchase of properties receivables (note 8.3)	(1,967,753)	-
Sales during the year	(4,642,218)	(1,031,005)
Impairment	-	(2,399,610)
Transfers to property held for trading	(364,604)	-
Foreign currency translation differences	(29,724)	194,621
Balance as of 31 December	2,951,982	8,301,717

9.1 The Group is working in a project to develop villas in Khiran area, the project consists of three stages. The Group completed the first and the second phases. The Group has sold the first phase and part from the second phase and the remaining has been transferred to properties held for trading. The third phase has reached its final stages of completion and the Group has recorded the related revenue of sold and delivered properties. Following are the revenues and the costs and revenues of the developed properties were sold during the year ended 31 December:

	2010	2009
Revenues of sold properties (net)	5,652,797	2,121,100
Costs of developing the sold properties	(4,642,218)	(1,031,005)
	1,010,579	1,090,095

9.2 Lands and real estates under development and real estate held for trading are recorded in the name of related parties, there is a letter of assignment in favor of the Group.

10. Investment properties

	2010	2009
Opening balance of the year	43,106,769	45,738,178
Additions	576,967	3,929,020
Transfer from land and real estate under development	-	151,763
Disposals	-	(11,627,186)
Change in fair value	7,626,146	4,434,386
Foreign currency translation differences	(453,979)	480,608
Ending balance of the year	50,855,903	43,106,769

10.1 The fair value of the investment properties as of 31 December 2010 has been determined by an independent valuer.

10.2 Investments properties include a property recorded in the name of the Company, the carrying value amounted to KD 3,060,000 as of 31 December 2010. The Group acquired this property based on a purchase contract which was partially cancelled accordingly a final settlement of the purchase amount was not agreed upon. The amounts paid for this deal amounted to KD 2,278,750 were used as a part of settling the property's price and the remaining was estimated based on external valuer and was recorded in payables. The seller has filed a lawsuit to appoint an expert in order to liquidate the account. The lawsuit has been declined in the court of first instance. Subsequent to the financial statements date, the seller party has appealed the verdict. The Group has filed a lawsuit in order to collect the rents due from this property which amounted to KD 491,210 as of 31 December 2010 (note 8). Based on the Group's legal counsel, according to the contracts, the group has the right to claim for these rents. The Group has recorded a provision for full amount of rents due.

11. Investments in associates

	Ownership percentage (%)	2010	2009
Ekttitab Holding Company. K.S.C.C.	22.53	4,849,949	7,328,172
Hits Telecom Company	40.61	42,094,400	42,549,334
Amlak Capital holding	35.24	3,302,632	2,893,015
		50,246,981	52,770,521

11.1 The following is a summary of the Group's share of the net assets and results of its associates according to the latest financial statements available:

	2010				
	Fair value	Net assets	Results	Last available financials	
				Source	Date
Ekttitab holding K.S.C.C	3,960,601	5,044,912	(1,373,957)	Reviewed financial information	30 September 2010
Hits telecom	21,802,055	40,890,316	307,830	Reviewed financial information	30 September 2010
Amlak Capital holding	-	3,302,632	409,617	Audited financial statements	30 June 2010

	2009				
	Fair value	Net assets	Results	Last available financials	
				Source	Date
Ekttitab Holding K.S.C.C	5,944,728	7,523,135	(3,025,500)	Management accounts	31 December 2009
Estrategia Investment	-	-	(493,349)	Reviewed financial information	30 September 2009
Hits telecom	25,703,915	41,345,250	(42,710)	Reviewed financial information	30 September 2009
Amlak Capital holding	-	2,893,015	-	-	-

11.2 Ektitab Holding investment includes deferred revenue amounted to KD 194,963 as of 31 December 2010 (KD 194,963 as of 31 December 2009).

11.3 Hits Telecom investments includes a goodwill of KD 5,605,920 as of 31 December 2010 (KD 5,605,920 as of 31 December 2009), and a deferred revenues of KD 4,401,836 as of 31 December 2010 (KD 4,401,836 as of 31 December 2009).

12. Payables and other credit balances

	2010	2009
Trade payable	655,427	662,049
Payables on purchase of investment properties	2,791,878	3,446,968
Payables on purchase of investments	3,977,707	3,977,707
Due to related parties (note 25)	2,089,444	2,794,523
Accrued dividends	421,427	437,559
Accrued expenses	119,256	29,459
Tax deductions	919,585	919,585
Other credit balances	1,142,723	1,223,229
	12,117,447	13,491,079

12.1 The Group has pledged investment in associates with carrying value of KD 2,023,403 and treasury shares of KD 1,756,425 as of 31 December 2010 (KD 3,820,940 as of 31 December 2009) against payables on purchase of investment properties.

12.2 The Group has pledged investment in associate with carrying value of KD 961,901 and investments at fair value through profit or loss of KD 1,074,643 as of 31 December 2010 (KD 3,123,393 as of 31 December 2009) against payables on purchase of investments.

13. Wakala payable

13.1 The average effective yield rate ranged from 4.5% : 6% as of 31 December 2010 (from 4 % to 7.5% as of 31 December 2009).

13.2 The Wakala payable are denominated in the following currencies:

	2010	2009
Kuwaiti Dinar	55,781,060	53,638,706
US Dollar	8,977,986	8,970,976
	64,759,046	62,609,682

13.3 Wakala payables stated guaranteed against pledging the following assets:

	2010	2009
Investments in associates	33,497,640	31,740,856
Investments at fair value through profit or loss	2,351,431	1,160,199
Lands and real estate under development	-	3,874,416
Investments properties	4,572,540	4,334,628
	40,421,611	41,110,099

13.4 Wakala payables include an amount of KD 2,522,653 as of 31 December 2010 (KD 2,522,653 as of 31 December 2009) granted from funds.

13.5 Certain Wakala payables matured with an amount of KD 12,069,598 as of 31 December 2010 (KD 12,069,598 as of 31 December 2009), this Wakala was not renewed, or paid. There is a legal dispute with those parties about the amounts which must be paid out of Wakala payable with principal amount of KD 12,069,598.

13.6 Wakala payables' maturity dates were disclosed in (Note 3).

14. Share capital

On 25 June 2009, the General Assembly Meeting of the shareholders approved share capital increase of KD 8,541,152 by issuing 43,137,130 shares with a nominal value of 100 fils and share premium of 98 fils.

On 9 June 2010, the Parent Company's board of directors called the share capital increase, the shareholders subscribed in 29,256,475 shares with KD 5,792,783 and such increase was collected in cash.

On 29 July 2010, the Extra Ordinary General Assembly for shareholders approved share capital decrease by the unsubscribed shares. On 29 July 2010, this amendment was registered in the commercial register.

Accordingly, the issued and full paid capital is KD 40,706,523 allocated over 407,065,225 shares as of 31 December 2010 (KD 37,780,875 allocated over 377,808,750 as of 31 December 2009) with 100 fils each and all shares are in cash.

15. Treasury shares

	2010	2009
Number of shares (share)	22,901,619	22,460,000
Percentage (%)	5.62	5.94
Market value	1,019,122	1,662,040

16. Statutory reserve and voluntary reserve

Statutory reserve

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, 10% of net profit before KFAS, National Labor Support Tax, Board of Directors' remuneration and Zakat expense are transferred to statutory reserve. Statutory reserve is not distribute able to shareholders; however, the reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Parent company and its shareholders.

Voluntary reserve

In accordance with the Parent company's Articles of Association, a percentage of net profit as proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors.

17. Other reserves

	Employee share options reserves	Share of group from associate reserves	Foreign currency translation reserves	Total
Balance as of 1 January 2009	490,500	(1,733,733)	68,286	(1,174,947)
Total comprehensive income for the year	-	2,621,739	549,995	3,171,734
Balance as of 31 December 2009	490,500	888,006	618,281	1,996,787
Balance of 1 January 2010	490,500	888,006	618,281	1,996,787
Total comprehensive loss for the year	-	(1,717,583)	(568,854)	(2,286,437)
Balance as 31 December 2010	490,500	(829,577)	49,427	(289,650)

18. Losses from investments

	2010	2009
Murabaha income	881,540	947,229
Gain / (loss) on sale of investments at fair value through profit or loss	122,253	(1,080,056)
Change in fair value of investments through profit or loss	(1,046,078)	(976,903)
Dividends	-	749
	(42,285)	(1,108,981)

19. Loss from investment in associate and subsidiary

	2010	2009
Losses from investments in associates		
Losses from trading	(45,079)	(1,916,139)
Gain from disposal	-	468,614
Group's share in associates' results	(656,510)	(3,561,559)
	(701,589)	(5,009,084)
Losses from investments in a subsidiary		
Gains from disposal of subsidiaries	-	229,901
Impairment in subsidiaries	-	(840,469)
	(701,589)	5,619,652

20. Real estate income

	2010	2009
Change in fair value of investment properties	7,626,146	4,434,386
Gains from sale of investments properties	-	68,760
Rents of investments properties	205,665	495,300
Impairment of lands and real estates under development	-	(2,399,610)
Gains on sale of lands and real estate under development (note 9.1)	1,010,579	1,090,095
	8,842,390	3,688,931

21. General and administrative expense

General and administrative expenses include staff costs of KD 914,718 for the year ended 31 December 2010 (KD 1,097,052 for the year ended 31 December 2009).

22. Loss per share

Basic loss per share are calculated by dividing net loss for the year by the weighted average number of outstanding shares during the year as follows:

	2010	2009
Net loss for the year attributable to shareholders' of the Parent Company	(8,242,883)	(9,529,443)
Weighted average number of issued shares and outstanding shares during the year / (share)	371,065,440	356,141,243
Loss per share (fils)	(22.21)	(26.76)

23. Investments in subsidiaries

These consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Company name	Legal	Country of incorporation	Ownership (%)	
			2010	2009
Al Madina Real Estate Development Co.	K.S.C.C	Kuwait	85.63	85.63
Rehab Al Madina Real Estate Co.	B.S.C.C	Bahrain	85.63	85.63
Develop for General Trading and Constructions	W.L.L	Kuwait	85.63	85.63
Murjan Two United	W.L.L	Cayman Islands	85.63	85.63
Al Madina Educational Co.	K.S.C.C	Kuwait	100	100
Al Sari National Holding (previously twenty seven for shopping centre)	K.S.C.C	Kuwait	100	100
Real Capital Company	W.L.L.	Kuwait	100	100
Stone for Energy (previously Kuwaiti National Investment Co.)	K.S.C.C	Kuwait	100	100
Stone for drilling Services Co.	E.K.S.C	Egypt	100	100
Sarh Al Madina Real Estate Co.	K.S.C.C	Kuwait	84.12	50.68
Try Building A	W.L.L	Cayman Islands	84.12	50.68
Try Building B	W.L.L	Cayman Islands	84.12	50.68
Try Building D	W.L.L	Cayman Islands	84.12	50.68
Try Building E	W.L.L	Cayman Islands	84.12	50.68
Murjan One United	W.L.L	Cayman Islands	84.12	50.68
Murjan Three United	W.L.L	Cayman Islands	84.12	50.68

23.1 Subsidiaries financial statement has been consolidated based on the audited financial statements except for Al Sari National Holding Company, stone for Energy Company, based on management accounts. The total assets of the subsidiaries amounted to KD 85,696,621 as of 31 December 2010 and the net loss amounted to KD 4,313,313 for the year ended 31 December 2010.

23.2 During the year ended 31 December 2010, the Group acquired additional stake of Sarh Al-Madina Real Estate Company (a subsidiary) of 33.44%, its carrying value amounted to KD 9,886,413. The Group acquired this stake against a consideration of KD 5,792,783. This acquisition resulted a profit of KD 4,093,630 was recorded as equity component according to IFRS requirements.

24. Dividends

The General Assembly meeting held on 8 June 2010 approved the financial statements for the year ended 31 December 2009, and decided not to distribute dividends for the year ended 31 December 2009.

The Company's Board of Directors held on 5 April 2011, proposed not to distribute dividends for the year ended 31 December 2010.

25. Related parties' transactions

Related parties represent in the Group's shareholders who have representation in the board of directors, members of the board of directors, senior management, subsidiaries and associates. In the normal course of business and subject to the Group's management approval, there were transactions with related parties during the year ended 31 December except what were disclosed in the other paragraph. The related parties significant transactions and outstanding balances were as follows:

	2010	2009
Transactions		
Murabaha and Mudaraba income	881,540	790,008
Gain from disposal of subsidiaries	-	229,901
Service income	-	894,283
Senior and executive management remunerations	145,515	150,238
Balances		
Investments in Murabaha and Mudaraba	11,835,437	10,799,510
Debtors and other debit balances	1,484,710	2,624,227
Payables and other credit balances	2,089,444	2,794,523

The Group manages portfolios on behalf of related parties, the net assets of those portfolios amounted to KD 9,336,889 as of 31 December 2010 (KD 13,610,769 as of 31 December 2009).

The Parent Company has provided a joint security against a Murabaha payable granted to a related party of KD 2,400,215 as of 31 December 2010.

All related parties transactions are subject to the approval of the General Assembly of the shareholders.

26. Contingent liabilities

During the year ended 31 December 2010, an arbitration verdict was issued in favor of a third party in the case of exercising the option by reverse the purchasing of foreign investment, the company should pay US $ 10,011,255 along with US $ 300,000 as compensation against receiving the investments shares.

Subsequently, a verdict was issued in favor of the group to cancel the attachment and nullifying the arbitration verdict and to transfer the case to the expert department from Ministry of Justice. As per the Company's lawyer opinion, the Company's legal status is good taking into consideration the rare circumstances of the global market. Accordingly the Group management believes that no need to provide a provision for such case.

27. Segment distribution

The Group carries out the majority of its activities in the State of Kuwait through two major segments:

- Real estate segment: represents in develop and sell land and properties.
- Investment segment: represents in direct investment and portfolios management and investment funds for third parties.

Analysis of the financial information according to segments for year ended 31 December is as follows:

	Real Estate		Investment		Total	
	2010	2009	2010	2009	2010	2009
Segment income	8,842,390	3,688,931	(90,402)	(5,566,032)	8,751,988	(1,874,101)
Segment results	(6,091,290)	3,038,931	(3,383,777)	(10,253,568)	(9,475,067)	(7,214,637)
Segment assets	66,049,030	73,716,657	74,582,400	77,516,595	140,631,436	151,233,252
Segment liabilities	2,791,878	3,446,968	69,158,180	67,024,948	71,950,058	70,471,916

	2010	2009
Total segment results	(9,475,067)	(7,214,637)
Other income	60,178	50,997
Gain / (loss) foreign currency translation	231,736	(616,597)
Gross profit for oilfields services and others	946,580	822,359
Provision for impairment	(26,692)	-
General and administrative expenses	(2,150,967)	(2,688,305)
Net loss	(10,414,232)	(9,646,183)
Total segment assets	140,631,436	151,233,252
Cash and cash equivalent	602,997	733,804
Debtors and other debit balances	4,612,102	6,124,289
Property and equipment	5,712,087	5,455,521
Total assets	151,558,622	163,546,866

Geographical distribution of assets and revenues

	2010		2009	
	Assets	Revenues	Assets	Revenues
Kuwait	92,975,525	2,029,139	104,214,488	(4,260,288)
Middle East	58,583,097	7,961,343	59,332,378	2,642,946
	151,558,622	9,990,482	163,546,866	(1,617,342)

28. Off balance sheet items

The Group manages portfolios on behalf of others and investment funds, which are not included in the balance sheet of the Group. The net assets of these portfolios amounted to KD 26,945,515 as of 31 December 2010 (KD 40,360,187 as of 31 December 2009).