

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 KD	2009 KD
Change in fair value of investment properties	10	(3,796,925)	(2,624,928)
Net loss on investment properties		(3,796,925)	(2,624,928)
Realised (loss) gain on sale of financial assets at fair value through profit or loss		(9,241)	788,741
Unrealised loss on financial assets at fair value through profit or loss		(179,107)	(1,998,069)
Realised gain on sale of financial assets available for sale		204,694	823,768
Impairment loss on financial assets available for sale	8	(2,770,094)	(1,645,331)
Share of results of an associate	9	28,676	-
Gain on sale of investment in an associate		-	693
Dividend income		34,765	216,176
Net investment loss		(2,690,307)	(1,814,022)
Provision for doubtful debts	6	(300,000)	(654,003)
Administrative expenses		(345,913)	(291,623)
Operating loss		(7,133,145)	(5,384,576)
Interest income		53,802	304,447
Other income		45,556	39,060
Foreign exchange loss		(21,474)	(23,635)
Finance costs		(673)	(66,285)
LOSS FOR THE YEAR		(7,055,934)	(5,130,989)
BASIC AND DILUTED LOSS PER SHARE	4	(34.05) fils	(24.74) fils

The attached notes 1 to 22 form part of these consolidated financial statements

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 KD	2009 KD
Loss for the year	(7,055,934)	(5,130,989)
Other comprehensive income		
<i>Financial assets available for sale</i>		
- Net unrealized loss	(5,074,643)	(1,106,342)
- Transferred to consolidated income statement on sale	(204,694)	(823,768)
- Impairment loss transferred to consolidated income statement	2,770,094	1,645,331
Other comprehensive loss for the year	(2,509,243)	(284,779)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(9,565,177)	(5,415,768)

The attached notes 1 to 22 form part of these consolidated financial statements

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 KD	2009 KD
ASSETS			
Cash and bank balances	5	886,042	658,889
Accounts receivable and other assets	6	1,085,197	2,375,196
Financial assets at fair value through profit or loss	7	1,340,660	2,249,148
Financial assets available for sale	8	31,078,841	37,187,248
Investment in an associate	9	87,402	-
Investment properties	10	10,911,879	11,737,592
Furniture and equipment		4,850	5,691
TOTAL ASSETS		45,394,871	54,213,764
EQUITY AND LIABILITIES			
Equity			
Share capital	11	21,262,500	21,262,500
Share premium		13,324,422	18,455,411
Cumulative changes in fair values		10,642,109	13,151,352
Treasury shares	14	(1,348,524)	(1,331,044)
Treasury shares reserve		318,561	318,561
Accumulated deficit		(7,055,934)	(5,130,989)
Total equity		37,143,134	46,725,791
Liabilities			
Bank overdrafts	5	531,355	589,281
Accounts payable and other liabilities	15	1,720,382	898,692
Term loan	16	6,000,000	6,000,000
Total Liabilities		8,251,737	7,487,973
TOTAL EQUITY AND LIABILITIES		45,394,871	54,213,764

Ali Ahmed Al-Bagli
(Chairman)

Abdulwahab Mohamed Al-Wazzan
(Deputy Chairman)

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 KD	2009 KD
OPERATING ACTIVITIES			
Loss for the year		(7,055,934)	(5,130,989)
Adjustments for:			
Change in fair value of investment properties	10	3,796,925	2,624,928
Realised gain on sale of financial assets available for sale		(204,694)	(823,768)
Impairment loss on financial assets available for sale	8	2,770,094	1,645,331
Share of results of an associate	9	(28,676)	-
Gain on sale of investment in an associate		-	(693)
Dividend income		(34,765)	(216,176)
Provision for doubtful debts	6	300,000	654,003
Interest income		(53,802)	(304,447)
Finance costs		673	66,285
Depreciation		2,589	4,188
Provision for employees' end of service benefits		12,675	10,801
Changes in operating assets and liabilities:		(494,915)	(1,475,699)
Accounts receivable and other assets		68,801	(507,727)
Financial assets at fair value through profit or loss (net)		908,488	1,317,805
Accounts payable and other liabilities		809,015	(162,651)
Cash from (used in) operations		1,291,389	(828,272)
Employees' end of service benefits paid		-	(2,119)
Finance costs paid		(673)	(25,485)
Net cash from (used in) operating activities		1,290,716	(855,876)
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		(522,575)	(2,891,994)
Proceeds from sale of financial assets available for sale		2,531,339	7,071,366
(Purchase of) proceeds from sale of investment in an associate		(58,726)	58,726
Additions to investment properties	10	(2,971,212)	(2,653,997)
Purchase of furniture and equipment		(1,748)	(289)
Dividend income received		34,765	216,176
Net cash (used in) from investing activities		(988,157)	1,799,988
FINANCING ACTIVITIES			
Murabaha payable paid		-	(1,941,000)
Purchase of treasury shares		(17,480)	(118,680)
Term loan obtained		-	2,000,000
Repayment of term loan		-	(800,000)
Net cash used in financing activities		(17,480)	(859,680)
INCREASE IN CASH AND CASH EQUIVALENTS		285,079	84,432
Cash and cash equivalents at the beginning of the year		69,608	(14,824)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	354,687	69,608

The attached notes 1 to 22 form part of these consolidated financial statements

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>General reserve KD</i>	<i>Cumulative changes in fair values KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Accumulated deficit KD</i>	<i>Total KD</i>
As at 1 January 2010	21,262,500	18,455,411	-	-	13,151,352	(1,331,044)	318,561	(5,130,989)	46,725,791
Loss for the year	-	-	-	-	-	-	-	(7,055,934)	(7,055,934)
Other comprehensive loss for the year	-	-	-	-	(2,509,243)	-	-	-	(2,509,243)
Total comprehensive loss for the year	-	-	-	-	(2,509,243)	-	-	(7,055,934)	(9,565,177)
Extinguishment of accumulated losses (Note 11)	-	(5,130,989)	-	-	-	-	-	5,130,989	-
Purchase of treasury shares	-	-	-	-	-	(17,480)	-	-	(17,480)
At 31 December 2010	21,262,500	13,324,422	-	-	10,642,109	(1,348,524)	318,561	(7,055,934)	37,143,134
As at 1 January 2009	21,262,500	21,023,856	2,479,285	1,297,894	13,436,131	(1,212,364)	318,561	(6,345,624)	52,260,239
Loss for the year	-	-	-	-	-	-	-	(5,130,989)	(5,130,989)
Other comprehensive loss for the year	-	-	-	-	(284,779)	-	-	-	(284,779)
Total comprehensive loss for the year	-	-	-	-	(284,779)	-	-	(5,130,989)	(5,415,768)
Extinguishment of accumulated losses	-	(2,568,445)	(2,479,285)	(1,297,894)	-	-	-	6,345,624	-
Purchase of treasury shares	-	-	-	-	-	(118,680)	-	-	(118,680)
At 31 December 2009	21,262,500	18,455,411	-	-	13,151,352	(1,331,044)	318,561	(5,130,989)	46,725,791

The attached notes 1 to 22 form part of these consolidated financial statements

National International Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

1 ACTIVITIES

National International Holding Company K.S.C. (Closed) (the “Parent Company”) is a Kuwaiti closed shareholding company registered and incorporated in Kuwait on 14 January 1979 and is engaged in investments in the local and international markets.

The consolidated financial statements of the Parent Company and Subsidiaries (collectively the “Group”) for the year ended 31 December 2010 were authorized for issue in accordance with a resolution of the Parent Company’s Board of Directors on 2011 and are issued subject to approval of the ordinary general assembly of the shareholders of the Parent Company.

The consolidated financial statements of the Group for the year ended 31 December 2009 approved by the shareholders of the Parent Company during annual general assembly meeting held on -----.

The registered office of the Parent Company is located on the 4th Floor, Chamber of Commerce and Industry Building, Al Shuhada Street, Kuwait.

2.1 BASIS OF PREPARATION

Statement of compliance

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

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention as modified for the revaluation at fair value of financial assets at fair value through profit or loss, financial assets available for sale and investment properties.

Functional and presentation currency

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

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in Note 21.

2.2 BASIS OF CONSOLIDATION

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2010.

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 when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2.2 BASIS OF CONSOLIDATION (Continued)***Basis of consolidation from 1 January 2010 (continued)***

Losses within a subsidiary are attributed to the non-controlling interest 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

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.

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

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Interest in equity %</i>		<i>Principal activities</i>
		<i>2010</i>	<i>2009</i>	
Al Ola National Real Estate Company W.L.L.	Kuwait	100	100	Purchase and sale of real estate
Al Ghad Project Management Company W.L.L.	Kuwait	100	100	Real estate projects Management

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) 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 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- IAS 40: Investment property (Amended)
- Improvements to IFRSs (April 2009)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

The adoption of the standards or interpretations is described below:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

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

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

IFRIC 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 nor performance of the Group.

IAS 40: Investment Property (Amended)

The improvement to IFRS project revised the scope of IAS 40 “investment properties” such that “property under construction or development” for future use as an investment property is classified as investment property.

As result of the adoption of the amendment to IAS 40, as at 1 January 2010 the Group has reclassified “property under development” to “investment property”, at an amount of KD 11,737,592, which represents the cost as at 31 December 2009 (Note 10).

Improvements to IFRSs

In April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the Group’s decision makers. As the Group’s decision makers review segment assets and liabilities, the Group has continued to disclose this information in (Note 18).

IAS 7 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from improvements to IFRSs to other standards did not have any impact on the accounting policies, financial position or performance of the Group.

2.4 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

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 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. This amendment will have no impact on the Group after initial application.

Improvements to IFRSs (issued in April 2010)

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.

2.5 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. Revenue is measured at the fair value of the consideration received, excluding discounts.

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

Dividend

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

Interest income

Interest income is recognised as interest accrues using the effective yield method.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the period 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks and time deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and at banks, and short-term deposits with original maturities of three months or less, net of outstanding bank overdrafts.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The 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 investments not at fair value through profit or loss, 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.

The Group's financial assets include cash and cash equivalents, financial assets at fair value through profit or loss, receivables and financial assets available for sale. At 31 December 2010 the Group did not have any derivatives designated as hedging instruments in an effective hedge.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses of investment held for trading are recognized in the consolidated income statement. Financial assets are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Financial assets at fair value through profit or loss are carried in the 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 and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or determined to be impaired, at which time the cumulative loss is recognised in the consolidated income statement and removed from the available for sale reserve.

Receivables

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) *Financial assets (continued)*

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.

(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.

Financial assets carried at amortised cost

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

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

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

Financial assets available for sale

For financial assets 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) *Impairment of financial assets (continued)*

Financial assets available for sale (continued)

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.

In the case of debt instruments classified as financial assets available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement.

(iii) *Financial liabilities*

Initial recognition and measurement

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

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

The Group’s financial liabilities comprise loans and borrowings and payables. At 31 December 2010, the Group did not have any financial liabilities at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge.

(iii) *Financial liabilities*

Subsequent measurement

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

Loans and borrowings

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

Payables

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

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iv) *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.

(v) *Fair value of financial instruments*

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length transactions, current fair value of another instrument that is substantially the same, an earnings multiple, or an industry specific earnings multiple or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in (Note 22).

Employees' end of service benefits

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

With respect to national employees, the Group makes contributions to be calculated at a percentage of the employees'. The Group obligations are limited to these contributions, which are expensed when due.

Investments in associates

The Group's investment in its associate is accounted for using the equity method. 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 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 share of results of an associate is shown on the face of the consolidated income statement. This is the results attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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 associate. 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 'share of results of an associate' 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 profit or loss.

Investment properties

Investment properties comprise property under construction or re-development held to earn rentals or for capital appreciation or both.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

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.

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

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the applicable asset which is 5 years.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and equipment (continued)

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

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

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.

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Foreign currencies

Foreign currency transactions are recorded in Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated to Kuwaiti Dinars at rates of exchange prevailing at the reporting date. Exchange differences are taken to the consolidated income statement. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Group has used judgement and estimates principally in, but not limited to, the classification of investments and the determination of fair values and impairment provisions as described below:

Classification of investments

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

The Group classifies investments as financial assets at fair value through profit or loss depending on how management monitor the performance of these investments. When they have readily available reliable fair values and the changes in fair values are reported as part of consolidated income statement in the management accounts, they are classified as financial assets at fair value through profit or loss.

All other investments are classified as financial assets available for sale.

Classification of real estate

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

The Group classifies real estate as trading property if it is acquired principally for sale in the ordinary course of business. The Group classifies real estate as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Impairment of accounts receivable

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

Impairment of investments

The Group treats financial assets available for sale 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 judgment.

Useful lives of furniture and equipment

The Group's management determines the estimated useful lives of its furniture 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)*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;
- 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.

4 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	<i>2010</i>	<i>2009</i>
Loss for the year (KD)	(7,055,934)	(5,130,989)
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	207,250,099	207,367,524
Basic and diluted loss per share	(34.05) fils	(24.74) fils

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows contain the following amounts:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Cash on hand	4,999	4,999
Bank balances	881,043	653,890
	886,042	658,889
Bank overdrafts	(531,355)	(589,281)
	354,687	69,608

Bank balances include an amount of KD 150,535 (2009: KD 378,367) denominated in foreign currencies, principally US Dollars and Euros.

Bank overdrafts are payable to financial institutions in Kuwait and are denominated in Kuwaiti Dinar. Bank overdrafts carry interest of 2.5% (2009: 2.5%) per annum over the Central Bank of Kuwait discount rate.

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6 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2010 KD	2009 KD
Receivable from sale of investments	981,348	2,356,033
Amount due from related parties (Note 17)	74,250	-
Other receivables	29,599	19,163
	<u>1,085,197</u>	<u>2,375,196</u>

As at 31 December 2010, accounts receivables at nominal value of KD 1,064,003 (2009: KD 654,003) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2010 KD	2009 KD
At 1 January	654,003	-
Charge for the year	300,000	654,003
At 31 December	<u>954,003</u>	<u>654,003</u>

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 KD	2009 KD
<i>Held for trading investments:</i>		
Quoted investments	1,337,717	1,683,265
Managed portfolios (quoted investments)	2,943	565,883
	<u>1,340,660</u>	<u>2,249,148</u>

8 FINANCIAL ASSETS AVAILABLE FOR SALE

	2010 KD	2009 KD
Quoted equity securities	782,204	2,541,207
Unquoted equity securities	16,090,344	17,604,402
Managed portfolios (Unquoted)	12,446,991	14,233,155
Managed funds	1,759,302	2,808,484
	<u>31,078,841</u>	<u>37,187,248</u>

Unquoted equity securities include investments amounting to KD 16,090,344 (2009: KD 17,604,402) that are carried at cost less impairment because fair value could not be reliably measured. Management has reviewed its unquoted securities for impairment and has recorded an impairment loss of KD 1,889,082 (2009: KD 423,000) in the consolidated income statement. Management is not aware of any circumstances that would indicate any further impairment in the value of these investments at the reporting date.

Managed portfolios amounting to KD 12,446,991 (2009: KD 14,233,155) are carried at fair value. The fair value of these investments is determined by reports provided by the investment managers and based on these reports an amount of KD 114,596 (2009: KD 678,793) has been recorded as an impairment loss in the consolidated income statement. Management is not aware of any circumstances that would indicate any further impairment in the value of these investments at the reporting date.

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8 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

Information for investments in managed funds is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Based on the net asset values of these funds, management has taken an impairment loss of KD 457,346 (2009: KD 61,367) on these investments. Management is not aware of any circumstances that would indicate any further impairment in the value of these investments at the reporting date.

An impairment loss of KD 309,070 (2009: KD 482,171) has been recorded against quoted equity securities on which there has been a significant or prolonged decline in value.

9 INVESTMENT IN AN ASSOCIATE

The associated company included in the consolidated financial statements is listed as follows:

<i>Name of the company</i>	<i>Country of incorporation</i>	<u>Equity interest</u>		<u>Carrying value</u>	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
				<u>KD</u>	<u>KD</u>
Middle East for Digital Communications Company (Salah Yousef Abdullah Al Nafesi & Partners) W.L.L.	Kuwait	33%	33%	87,402	-
				<u>2010</u>	<u>2009</u>
				<u>KD</u>	<u>KD</u>
Share of associate's assets and liabilities:					
Current assets				213,602	-
Non-current assets				34,813	-
Current liabilities				(66,194)	-
Non-current liabilities				(94,819)	-
				<u>87,402</u>	<u>-</u>
Equity				<u>87,402</u>	<u>-</u>
Share of associate's revenue and profit:					
Revenue				68,595	-
Profit				28,676	-

The share of associate's results for the year ended 31 December 2010 has been accounted for based on management accounts.

10 INVESTMENT PROPERTIES

	<u>2010</u>	<u>2009</u>
	<u>KD</u>	<u>KD</u>
Carrying value at 1 January	11,737,592	11,708,523
Additions	2,971,212	2,653,997
Unrealised loss from re-measurement to fair value	(3,796,925)	(2,624,928)
Carrying value at 31 December	<u>10,911,879</u>	<u>11,737,592</u>

The fair value of the investment properties amounting to KD 10,911,879 (2009: KD 11,737,592) has been determined based on valuations performed by an accredited independent valuers.

Investment properties include capitalized borrowing costs of KD 1,204,161 (2009: KD 832,084).

10 INVESTMENT PROPERTIES (continued)

The Group has adopted the amendment to IAS 40, as described in Note 2, which classified “properties under development” within the scope of IAS 40 “investment properties”. Consequently investment properties include properties located in Kuwait that are being constructed for future rental purpose represent the Group’s land and construction costs amounting to KD 547,062 and KD 8,780,938 (2009: KD 5,927,866 and KD 5,809,726) respectively.

Investment properties of KD 9,328,000 (2009: KD 9,467,059) are pledged against term loan (Note 17).

11 SHARE CAPITAL

	2010	2009
	KD	KD
Authorised, issued and fully paid up share capital :		
212,625,000 shares of 100 fils each	<u>21,262,500</u>	<u>21,262,500</u>

The Annual General Meeting of the Parent Company’s shareholders held on 19 May 2010 approved the board of directors’ proposal to extinguish the accumulated losses attributable to the Parent Company as at 31 December 2009 amounting to KD 5,130,989 against share premium.

12 STATUTORY RESERVE

As required by the Kuwait Law of Commercial Companies and the Parent Company’s articles of association. 10% of the profit for the year before contribution to KFAS, NLST, Zakat and board of directors’ remuneration should be transferred to statutory reserve. No transfer has been to made to statutory reserve made since losses have been incurred during the year.

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

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

13 GENERAL RESERVE

As required by the Parent Company’s articles of association. 10% of the profit for the year before contribution to KFAS, NLST, Zakat and board of directors’ remuneration should be transferred to general reserve. No transfer has been made to general reserve since losses have been incurred during the year.

The Ordinary General Meeting may upon an approval by the board of directors of the Parent Company increase the percentage as it deems appropriate, or may resolve to discontinue such annual transfers.

14 TREASURY SHARES

At 31 December 2010, the Parent Company held 6,288,850 (2009: 6,068,850) treasury shares equivalent to 3% of total shares issued (2009: 2.9%). The market value of the treasury shares at 31 December 2010 was KD 333,309 (2009: KD 740,400). Reserves of the Parent Company equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable in the Parent Company.

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15 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2010 KD	2009 KD
Contractor payable	258,864	o/s
Retention payable	586,220	o/s
Accrued expenses	554,692	607,776
Dividends payables	163,953	122,200
Other liabilities	156,653	168,716
	<u>1,720,382</u>	<u>898,692</u>

16 TERM LOAN

<i>Current liabilities</i>	<i>Effective interest rate</i>	<i>Maturity</i>	KD 2010	KD 2009
Kuwaiti Dinars	4 % per annum over Central Bank of Kuwait discount rate	August 2011	<u>6,000,000</u>	<u>6,000,000</u>

Term loan is secured by investment property (Note 10).

17 RELATED PARTY TRANSACTIONS

Related parties represent shareholders, directors and key management personnel of the Group, 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:

	<i>Others KD</i>	<i>Shareholders KD</i>	2010 KD	2009 KD
Realised gain on sale of financial assets available for sale	-	54,455	54,455	-
Unrealised loss on financial assets at fair value through profit or loss	-	-	-	(620,828)
Share of results of an associate	28,676	-	28,676	-
Impairment loss on financial assets available for sale	-	(442,992)	(442,992)	-
Finance costs	-	-	-	25,485

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

	<i>Others KD</i>	<i>Shareholders KD</i>	2010 KD	2009 KD
Financial assets at fair value through profit or loss	-	-	-	347,243
Financial assets available for sale	-	8,243,032	8,243,032	7,445,013
Investments in an associate	87,402	-	87,402	-
Amount due from related parties (Note 6)	74,250	-	74,250	-
Accounts payable and other liabilities	-	356,979	356,979	356,979

Key management compensation

	2010 KD	2009 KD
Short-term employee benefits	66,028	66,028
End of service benefits	4,327	4,327
	<u>70,355</u>	<u>70,355</u>

18 SEGMENTAL INFORMATION

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

- Real estate management 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.
- Investment management comprises participation in financial and real estate funds and managing the Group's liquidity requirements.

Primary segment information

The Group operates into two major business segments which are investment and real estate. The principal activities and services under these segments are as follows:

Year ended 31 December 2010	<i>Equities and other investing activities KD</i>	<i>Real estate investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Segment revenue	268,135	-	-	268,135
Segment results				
Unrealized loss from change in fair value of investment properties	-	(3,796,925)	-	(3,796,925)
Realised loss on sale of financial assets at fair value through profit or loss	(9,241)	-	-	(9,241)
Unrealised loss on financial assets at fair value through profit or loss	(179,107)	-	-	(179,107)
Impairment loss on financial assets available for sale	(2,770,094)	-	-	(2,770,094)
Unallocated expenses - net	-	-	(568,702)	(568,702)
Segment loss	(2,690,307)	(3,796,925)	(568,702)	(7,055,934)
As at 31 December 2010				
Segment assets	33,488,251	10,911,879	994,741	45,394,871
Segment liabilities	-	7,376,439	875,298	8,251,737

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18 SEGMENTAL INFORMATION (continued)

Year ended 31 December 2009	<i>Equities and other investing activities KD</i>	<i>Real estate investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Segment revenue	<u>1,829,378</u>	<u>-</u>	<u>-</u>	<u>1,829,378</u>
Segment results				
Unrealized loss from change in fair value of investment properties	-	(2,624,928)	-	(2,624,928)
Unrealised loss on financial assets at fair value through profit or loss	(1,998,069)	-	-	(1,998,069)
Impairment loss on financial assets available for sale	(1,645,331)	-	-	(1,645,331)
Unallocated expenses - net	-	-	(692,039)	(692,039)
Segment loss	<u>(1,814,022)</u>	<u>(2,624,928)</u>	<u>(692,039)</u>	<u>(5,130,989)</u>
As at 31 December 2009	<i>Equities and other investing activities KD</i>	<i>Real estate investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Segment assets	<u>41,792,429</u>	<u>11,737,592</u>	<u>683,743</u>	<u>54,213,764</u>
Segment liabilities	<u>-</u>	<u>6,589,281</u>	<u>898,692</u>	<u>7,487,973</u>

Secondary segment information

The Group operates in different geographical areas. A geographical analysis based on location of revenue, results, assets and liabilities is as follows:

	<i>Results</i>	
	<i>2010 KD</i>	<i>2009 KD</i>
Geographical areas:		
Kuwait	(6,477,677)	(5,918,917)
United States of America	(20,643)	7,135
Europe	(874)	1,037,554
GCC	(556,740)	(256,761)
	<u>(7,055,934)</u>	<u>(5,130,989)</u>

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18 SEGMENTAL INFORMATION (continued)

	<i>Assets</i>		<i>Liabilities</i>	
	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Geographical areas:				
Kuwait	29,255,665	36,874,159	8,251,737	7,487,973
GCC	2,070,533	2,270,533	-	-
United States of America	3,564,057	4,333,912	-	-
Europe	10,504,616	10,735,160	-	-
	45,394,871	54,213,764	8,251,737	7,487,973

19 CAPITAL COMMITMENTS

The Group has capital commitments in respect of development of its investment properties amounting to KD 3,164,107 (2009: KD 5,694,539).

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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, 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.

Credit risk

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

The Group's assets can be analysed as follows:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Banks and cash balances	886,042	658,889
Accounts receivable and other assets	1,085,197	2,375,196
Total credit risk exposure	1,970,239	3,034,085

Accounts receivable of 80% (2009:75%) represent receivable from one party.

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 has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents, and readily marketable securities.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations.

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20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

31 December 2010	Up to 1 year KD	Over 1 year KD	Total KD
Bank overdrafts	563,236	-	563,236
Accounts payable and other liabilities	1,720,382	-	1,720,382
Term loan	6,365,000	-	6,365,000
Total liabilities	8,648,618	-	8,648,618
Capital commitments	3,164,107	-	3,164,107

31 December 2009	Up to 1 year KD	Over 1 year KD	Total KD
Bank overdrafts	624,638	-	624,638
Accounts payable and other liabilities	898,692	-	898,692
Term loan	6,360,000	-	6,360,000
Total liabilities	7,883,330	-	7,883,330
Capital commitments	2,769,539	2,925,000	5,694,539

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Interest rate risk

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

The Group is not exposed to interest rate risk on its borrowing facilities (bank overdrafts and term loan) because related finance costs are capitalized as part of investment properties (Note 10), hence no effect on results for the year.

Currency risk

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

Currency risk is managed 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. The Group does not engage in foreign exchange trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

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

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20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Currency risk (continued)

Currency	Change in currency rate in %	2010 Effect on loss for the year KD	Change in currency rate in %	2009 Effect on loss for the year KD
USD	+5%	927	+5%	5,154
EURO	+5%	6,417	+5%	13,552

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of industry concentration.

The following table demonstrates the sensitivity of the quoted investment value to reasonably possible changes in equity prices, with all other variables held constant. The effect of increases in equity prices is expected to be equal and opposite to the effect of the increases shown.

The effect on equity (as a result of a change in the fair value of financial assets available for sale at 31 December) and Group's results (as a result of a change in the fair value of financial assets at fair value through profit or loss at 31 December) due to a reasonably possible change in market indices, with all other variables held constant are as follows:

Market indices	2010			2009		
	Change in equity price %	Effect on equity KD	Effect on loss KD	Change in equity price %	Effect on equity KD	Effect on loss KD
Kuwait	+5	850,504	68,358	+5	1,055,751	141,179
Others	+5	703,438	-	+5	889,196	-

In respect of unquoted financial assets available for sale carried at cost amounting to KD 16,090,344 (2009: KD 17,604,402) the impact of changes in equity prices can't be reliably determined due to unavailability of reliable fair value of these investments.

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, including the use of internal audit.

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At 31 December 2010

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

The Group monitors capital using a leverage ratio, which is net debt divided by total capital. The Group's policy is to keep the gearing ratio less than 30%. The Group includes within net debt, interest bearing loans and borrowings, and other liabilities, less bank balances and cash. Total capital represents equity for the Group less cumulative changes in fair values.

	2010 KD	2009 KD
Interest bearing loans and borrowings	6,531,355	6,589,281
Accounts payable and other liabilities	1,720,382	898,692
Less: Cash and cash equivalents	(886,042)	(658,889)
Net debt	7,365,695	6,829,084
Total capital	26,501,025	33,574,439
Gearing ratio (%)	28%	20%

21 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled from the reporting date. The maturity profile for financial assets at fair value through income statement, financial assets available for sale, and property under development is based on management's estimate of liquidation of those financial assets. The maturity profile of assets and liabilities at 31 December are as follows:

31 December 2010	Up to 3 month KD	3 – 12 months KD	Over 1 year KD	Total KD
ASSETS				
Cash and cash equivalents	886,042	-	-	886,042
Accounts receivable and other assets	103,850	981,347	-	1,085,197
Financial assets at fair value through profit or loss	-	1,340,660	-	1,340,660
Financial assets available for sale	-	-	31,078,841	31,078,841
Investment in an associate	-	-	87,402	87,402
Investments properties	-	-	10,911,879	10,911,879
Furniture and equipment	-	-	4,850	4,850
Total assets	989,892	2,322,007	42,082,972	45,394,871
LIABILITIES				
Bank overdrafts	-	531,355	-	531,355
Accounts payable and other liabilities	-	1,134,162	586,220	1,720,382
Term loan	-	1,200,000	4,800,000	6,000,000
Total liabilities	-	2,865,517	5,386,220	8,251,737

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21 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2009	Up to 3 month KD	3 – 12 months KD	Over 1 year KD	Total KD
ASSETS				
Cash and cash equivalents	658,889	-	-	658,889
Accounts receivable and other assets	562,260	1,812,936	-	2,375,196
Financial assets at fair value through profit or loss	-	2,249,148	-	2,249,148
Financial assets available for sale	-	-	37,187,248	37,187,248
Investments properties	-	-	11,737,592	11,737,592
Furniture and equipment	-	-	5,691	5,691
Total assets	1,221,149	4,062,084	48,930,531	54,213,764
LIABILITIES				
Bank overdrafts	-	589,281	-	589,281
Accounts payable and other liabilities	-	898,692	-	898,692
Term loan	-	1,200,000	4,800,000	6,000,000
Total liabilities	-	2,687,973	4,800,000	7,487,973

22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalent, investments and receivables. Financial liabilities consist of bank overdrafts, term loans and 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.

The fair values of these financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 8), are not materially different from their carrying values at the reporting date.

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

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.

Fair value of financial assets at fair value through profit or loss and financial assets available for sale are based on the following:

At 31 December 2010	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
Financial assets at fair value through profit or loss	1,340,660	-	-	1,340,660
Financial assets available for sale	782,204	-	14,206,293	14,988,497
	2,122,864	-	14,206,293	16,329,157

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22 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

<i>At 31 December 2009</i>	<i>Level: 1 KD</i>	<i>Level: 2 KD</i>	<i>Level: 3 KD</i>	<i>Total fair value KD</i>
Financial assets at fair value through profit or loss	2,249,148	-	-	2,249,148
Financial assets available for sale	2,541,207	-	17,041,639	19,582,846
	<u>4,790,355</u>	<u>-</u>	<u>17,041,639</u>	<u>21,831,994</u>

During the year ended 31 December, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

**NATIONAL INTERNATIONAL HOLDING
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