Consolidated financial statements and independent auditors' report

National Industries Group Holding – SAK and Subsidiaries

Kuwait

31 December 2010

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Independent auditors' report

To the shareholders of
National Industries Group Holding – SAK
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Industries Group Holding – (A Kuwaiti Shareholding Company) and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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 National Industries Group Holding and its subsidiaries as at 31 December 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960 and by the Company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law nor of the Company's articles of association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Abdullatif A.H. Al-Majid
(Licence No. 70-A)
of Allied Accountants - MAZARS

Kuwait
31 March 2011

Consolidated statement of income

	Note	**Year ended 31 Dec. 2010 KD '000**	Year ended 31 Dec. 2009 KD '000
Sales		**98,072**	96,191
Cost of sales		**(75,522)**	(76,865)
Gross profit		**22,550**	19,326
Profit on disposal of subsidiary	6c	**646**	1,653
Income from investments	7	**32,390**	59,864
Share of results of associates	16	**29,680**	4,379
Income on disposal of associate		**-**	5,753
Changes in fair value of investment properties	17	**(3,015)**	3,610
Interest and other operating income	8	**4,426**	13,414
Distribution costs		**(4,720)**	(4,495)
General, administrative and other expenses		**(21,949)**	(23,634)
		60,008	79,870
Finance costs	10	**(37,359)**	(51,582)
Impairment in value of available for sale investments	18c	**(42,830)**	(43,183)
Impairment in value of wakala investments	21	**-**	(7,483)
Impairment in value of investment in associates		**(397)**	-
Impairment in value of goodwill	14	**(1,326)**	-
Impairment in value of receivables and other assets	20c	**(6,603)**	-
Provision for onerous property leases and dilapidations	29	**(2,693)**	(578)
Gain/(loss) on foreign currency exchange		**5,403**	(12,456)
Loss before taxation and other statutory contributions		**(25,797)**	(35,412)
Taxation and other statutory contributions of subsidiaries	11	**(411)**	(116)
Loss for the year	12	**(26,208)**	(35,528)
Attributable to :			
Owners of the parent		**(19,200)**	(23,187)
Non-controlling interests		**(7,008)**	(12,341)
		(26,208)	(35,528)
Basic and diluted loss per share attributable to the owners of the parent	13	**(15) Fils**	(18) Fils

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2010	Year ended 31 Dec. 2009
	KD '000	KD '000
Loss for the year	**(26,208)**	(35,528)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	**(1,795)**	1,055
Available for sale investments		
- Net changes in fair value arising during the year	**56,011**	57,147
- Transferred to consolidated statement of income on disposals	**(5,757)**	(14,556)
- Transferred to consolidated statement of income on impairment	**42,830**	43,183
Share of other comprehensive income of associates	**2,197**	(1,101)
Total other comprehensive income for the year	**93,486**	85,728
Total comprehensive income for the year	**67,278**	50,200
Total comprehensive income attributable to:		
Owners of the parent	**65,410**	44,008
Non-controlling interests	**1,868**	6,192
	67,278	50,200

Consolidated statement of financial position

	Note	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Assets			
Non-current assets			
Goodwill	14	**6,718**	8,333
Property, plant and equipment	15	**67,201**	49,421
Investment in associates	16	**272,494**	263,487
Investment properties	17	**36,642**	33,742
Available for sale investments	18	**790,353**	703,807
Total non-current assets		**1,173,408**	1,058,790
Current assets			
Inventories	19	**20,053**	22,571
Available for sale investments	18	**104,514**	108,406
Accounts receivable and other assets	20	**59,182**	84,918
Murabaha and wakala investments	21	**15,263**	10,201
Investments at fair value through profit or loss	22	**119,118**	128,332
Short-term deposits	32	**104,565**	131,464
Bank balances and cash	32	**38,002**	30,132
Total current assets		**460,697**	516,024
Total assets		**1,634,105**	1,574,814
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	23	**129,510**	129,510
Treasury shares	24	**(30,804)**	(28,064)
Share premium	23	**152,691**	152,691
Cumulative changes in fair value	26a	**195,732**	109,872
Other reserves	26b	**59,081**	59,678
Accumulated losses		**(42,965)**	(23,187)
Equity attributable to owners of the parent		**463,245**	400,500
Non-controlling interests	26c	**174,216**	143,828
Total equity		**637,461**	544,328
Non-current liabilities			
Trust certificates issued	27	**133,523**	150,773
Long-term borrowings	28	**165,688**	35,145
Leasing creditors		**446**	683
Provisions	29	**11,364**	9,055
Total non-current liabilities		**311,021**	195,656
Current liabilities			
Accounts payable and other liabilities	30	**43,387**	44,440
Trust certificates issued – current portion	27	**14,010**	14,306
Short-term borrowings	31	**594,948**	732,481
Due to banks	32	**33,278**	43,603
Total current liabilities		**685,623**	834,830
Total liabilities		**996,644**	1,030,486
Total equity and liabilities		**1,634,105**	1,574,814

Mr. Sa'ad Mohammed Al-Sa'ad
Chairman & Managing Director

The notes set out on pages 10 to 56 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the parent								
	Share Capital KD '000	**Treasury shares** KD '000	**Share premium** KD '000	**Cumulative changes in fair value** KD '000	**Other Reserves (Note 26)** KD '000	**Accumulated losses** KD '000	**Sub-Total** KD '000	**Non-controlling interests** KD '000	**Total** KD '000
Balance at 1 January 2010	129,510	(28,064)	152,691	109,872	59,678	(23,187)	400,500	143,828	544,328
Transactions with owners									
Purchase of treasury shares	-	(4,571)	-	-	-	-	(4,571)	-	(4,571)
Disposal of treasury shares	-	1,831	-	-	-	-	1,831	-	1,831
Gain on disposal of treasury shares	-	-	-	-	75	-	75	-	75
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	(391)	(391)
Acquisition of subsidiary (refer note 6d)	-	-	-	-	-	-	-	32,538	32,538
Other net changes in non-controlling interests	-	-	-	-	-	-	-	(3,627)	(3,627)
Total transactions with owners	-	(2,740)	-	-	75	-	(2,665)	28,520	25,855
Comprehensive income									
Loss for the year	-	-	-	-	-	(19,200)	(19,200)	(7,008)	(26,208)
Other comprehensive income for the year (refer note 26)	-	-	-	85,860	(1,250)	-	84,610	8,876	93,486
Total comprehensive income for the year	-	-	-	85,860	(1,250)	(19,200)	65,410	1,868	67,278
Reserve transfers of subsidiaries	-	-	-	-	578	(578)	-	-	-
Balance at 31 December 2010	**129,510**	**(30,804)**	**152,691**	**195,732**	**59,081**	**(42,965)**	**463,245**	**174,216**	**637,461**

The notes set out on pages 10 to 56 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent								
	Share Capital KD '000	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other Reserves (Note 26) KD '000	Accumulated losses KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2009	129,510	(31,998)	152,691	43,968	151,451	(97,752)	347,870	137,927	485,797
Transactions with owners									
Purchase of treasury shares	-	(7,015)	-	-	-	-	(7,015)	-	(7,015)
Disposal of treasury shares	-	10,949	-	-	-	-	10,949	-	10,949
Gain on disposal of treasury shares	-	-	-	-	4,688	-	4,688	-	4,688
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	(1,515)	(1,515)
Offset of accumulated losses (refer note 23c)	-	-	-	-	(97,752)	97,752	-	-	-
Investments made by non-controlling interests of subsidiaries	-	-	-	-	-	-	-	1,183	1,183
Other net change in non-controlling interests	-	-	-	-	-	-	-	41	41
Total transactions with owners	-	3,934	-	-	(93,064)	97,752	8,622	(291)	8,331
Comprehensive income									
Loss for the year	-	-	-	-	-	(23,187)	(23,187)	(12,341)	(35,528)
Other comprehensive income for the year (refer note 26)	-	-	-	65,904	1,291	-	67,195	18,533	85,728
Total comprehensive income for the year	-	-	-	65,904	1,291	(23,187)	44,008	6,192	50,200
Balance at 31 December 2009	129,510	(28,064)	152,691	109,872	59,678	(23,187)	400,500	143,828	544,328

The notes set out on pages 10 to 56 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
OPERATING ACTIVITIES		
Loss before taxation and other statutory contributions	**(25,797)**	(35,412)
Adjustments:		
Depreciation of property, plant and equipment	**6,547**	7,949
Changes in fair value of investment properties	**3,015**	(3,610)
Impairment in vale of goodwill	**1,326**	-
(Gain)/loss on disposal of property, plant and equipment	**(246)**	181
Impairment in value of receivable and other assets	**6,603**	-
Profit on disposal of subsidiary	**(646)**	(1,653)
Impairment in value of investment in associates	**397**	-
Income on disposal of associate	**-**	(5,753)
Share of results of associates	**(29,680)**	(4,379)
Income from murabaha and wakala investments	**-**	(1,649)
Dividend income from available for sale investments	**(14,078)**	(18,228)
Profit on sale of available for sale investments	**(12,977)**	(39,184)
Impairment in value of available for sale investments and wakala investments	**42,830**	50,666
Net provisions charged	**2,309**	686
Finance costs	**37,359**	51,582
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	**(3,115)**	(7,894)
Negative goodwill on acquisition of subsidiary	**(302)**	-
	13,545	(6,698)
Changes in operating assets and liabilities:		
Inventories	**2,518**	421
Accounts receivable and other assets	**1,061**	(8,021)
Investments at fair value through profit or loss	**17,238**	29,119
Accounts payable and other liabilities	**782**	(27,514)
Cash from/(used) in operations	**35,144**	(12,693)
Taxation paid	**(146)**	(22)
KFAS and Zakat contribution paid	**-**	(52)
Net cash from/(used in) operating activities	**34,998**	(12,767)

Consolidated statement of cash flows (continued)

	Note	**Year ended 31 Dec. 2010 KD '000**	Year ended 31 Dec. 2009 KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(16,717)**	(17,750)
Proceeds from sale of property, plant and equipment		**2,573**	412
Additions to investment properties		**(5,915)**	(803)
Proceeds from disposal of associate		**-**	5,753
Investment in an associates		**(5,611)**	(3,584)
Dividend received from associate companies		**2,393**	1,403
Bank balances and cash received on a acquisition of subsidiary		**3,714**	-
(Increase)/decrease in wakala investments maturing after three months		**(4,343)**	7,616
(Increase)/decrease in short term deposits maturing after three months		**(150)**	71,102
Decrease/(increase) in blocked deposits		**1,150**	(660)
Purchase of available for sale investments		**(42,421)**	(94,314)
Proceeds from sale of available for sale investments		**45,729**	222,501
Dividend income received from available for sale investments		**14,078**	18,228
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments		**3,368**	14,149
Net cash (used in)/from investing activities		**(2,152)**	224,053
FINANCING ACTIVITIES			
Net increase in long-term borrowings, bonds and trust certificates		**37,090**	15,236
Finance lease (payments)/receipt		**(250)**	148
Net decrease in short-term borrowings		**(41,910)**	(200,643)
Dividend paid to the owners of the parent		**(1,402)**	(475)
Finance costs paid		**(36,990)**	(53,312)
Purchase of treasury shares		**(4,571)**	(7,015)
Proceeds from sale of treasury shares		**1,906**	14,221
Decrease in non-controlling interests		**(1,447)**	(291)
Net cash used in financing activities		**(47,574)**	(232,131)
Net decrease in cash and cash equivalents		**(14,728)**	(20,845)
Translation difference		**24**	175
		(14,704)	(20,670)
Cash and cash equivalents at beginning of the year		**124,333**	145,003
Cash and cash equivalents at end of the year	32	**109,629**	124,333

Notes to the consolidated financial statements

31 December 2010

1 Incorporation and activities

National Industries Group Holding – SAK ("the parent company") was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a "Holding Company". The parent company along with its subsidiaries are jointly referred to as "the group". The parent company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the group by investing them in investment and real estate portfolios managed by specialised companies.

The address of the parent company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The board of directors of the parent company approved these consolidated financial statements for issuance on 31 March 2011. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2 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).

3 Application of new and revised International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC")

a). ***Standards and Interpretations affecting amounts reported and/or disclosures made in the current period (and/or prior periods)***

The group has adopted the following new standards, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the group's financial statements for the annual period beginning on 1 January 2010. Certain other amendments to standards have been made and certain new standards and interpretations have been issued but they are not expected to have a material impact on the group's financial statements.

3 Application of new and revised International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC") (continued)

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- IAS 28 Investments in Associates (Revised 2008)
- IFRIC 17 Distribution of Non Cash Assets to Owners
- Annual improvements 2009

- IFRS 3 Business Combinations (Revised 2008) and IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 January 2010. Changes affect the valuation of non-controlling interests, 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 (Revised) 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. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well.

The changes by IFRS 3 (Revised) and IAS 27 (Revised) was applied prospectively but had no material impact on the current year reported results.

- IAS 28 Investment in Associates (Revised)

The revised standard introduces changes to the accounting requirements for the loss of significant influence of an associate and for changes in the group's interest in associates. Consequently, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in the consolidated statement of income. These changes were applied prospectively but had no impact on the current years reported results.

- IFRIC 17 Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its owners. The interpretation has no effect on either, the financial position or performance of the group.

- Annual Improvements 2009

The *Improvements to IFRSs 2009* made several minor amendments to IFRSs and have lead to a number of changes in the detail of the group's accounting policies and some of which are changes in terminology only - some of which are substantive but have no material effect on amounts reported.

b). ***Standard , amendments and Interpretations to existing standards that are not yet effective and have not been adopted early by the Group.***

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued but are not yet effective, and have not been adopted early.

3 Application of new and revised International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC") (continued)

Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant to the group's operations and therefore not expected to have a material impact on the group's financial statements.

- IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Although early application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided during December 2009, to postpone this allowed early application until further notice.

Management has yet to assess the impact that this amendment is likely to have on the financial statements of the group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

- IAS 24 (Revised) "Related party disclosures" (effective for annual periods beginning from 1 January 2011)

The amendments to the standard revise the definition of related party. The adoption of this amendment is not expected to have a significant impact on the group's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual period beginning 1 July 2010).

The Interpretation provides guidance on the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. The Interpretation is required to be applied retrospectively. However, management does not expect to have any significant effect on the group's financial statements on the date of initial application of the interpretation.

- Annual Improvements 2010

The IASB has issued Improvements to IFRS 2010 (2010 Improvements) which will lead to amendments to certain standards. Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3 (Revised), clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the group's financial statements.

4 Summary of significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2009 except for the adoption of the revised and new standards discussed in Note 3. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

4 Summary of significant accounting policies (continued)

Basis of preparation

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

The group has elected to present the "statement of comprehensive income" in two statements: the "statement of income" and a "statement of comprehensive income".

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2010, and the financial statements of its subsidiaries prepared to that date, or to a date not earlier than three months of the parent company's yearend using consistent accounting policies. Subsidiaries are those enterprises controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Necessary adjustments are made for the effects of significant transactions or other events that occur between the reporting date of the subsidiaries and 31 December 2010, the reporting date of the parent company. The details of the significant consolidated subsidiaries are set out in Note 6 to the consolidated financial statements.

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 consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in full.

Non-controlling interests represents the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the equity attributable to the owners of the parent company. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

4 Summary of significant accounting policies (continued)

Basis of consolidation prior to 1 January 2010

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

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interests had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests 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.

Business combinations

Business combination from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstance and pertinent conditions as at the acquisition date. This includes the separation of embedded derivates in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensives income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4 Summary of significant accounting policies (continued)

Business combinations prior to 1 January 2010
In comparison of the above mentioned requirements, the following difference applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interests (formerly known as minority interest) were measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the group acquired a business, embedded derivates separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Income recognition
Income is recognised to the extent that it is probable that the economic benefits will flow to the group and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised.

Sales
Sales represent the value of goods and services supplied during the year excluding value added tax or other sales taxes.

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

Interest and similar income
Interest and similar income is recognised using the effective interest rate method.

Fee income
Management fees relating to portfolio management services and other fee income are recognised as income as the services are provided.

Finance costs
Finance costs are calculated and recognised on a time proportionate basis taking into account the principal loan balance outstanding and the interest rate applicable.

Finance costs that are directly attributable to the acquisition and construction 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 that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sales are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

Development costs
Expenditure on development activities which are not expected to generate future economic benefits are written off as incurred. Development costs are carried forward only if specific criteria are met. Such development costs carried forward are amortised over their estimated useful lives on a straight line basis up to 5 years and are subject to regular impairment review.

4 Summary of significant accounting policies (continued)

Taxation

Taxation of foreign subsidiaries

Income taxes for foreign subsidiaries are calculated based on tax adopted in the countries in which the subsidiaries are incorporated.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

Kuwait Foundation for Advancement of Sciences (KFAS)

The group calculates the contribution to Kuwait foundation for the Advancement of Sciences in accordance with the modified calculation based on the foundation's Board of directors resolution, which states that income from Kuwaiti shareholding associates and subsidiaries, board of directors' remuneration, transfers to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax

The group is required to contribute to the National Labour Support Tax ("NLST"). The group's contribution to NLST is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 24/2008, law number 19/2000.

Zakat

The group is required to contribute to Zakat. The group's contribution to Zakat is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 58/2007 and 46/2006.

Share-based Payment

Certain employees of the group receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 15 years
Motor vehicles	2 to 10 years
Furniture and equipment	4 to 10 years

4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)
Any increase arising on revaluation is credited directly to other comprehensive income as "revaluation reserve" except to the extent where the increase reverses a revaluation decrease related to the same asset for which a decrease in valuation has previously been recognised as an expense, it is credited to the consolidated statement of income. Any decrease in the net carrying amount arising on revaluation is charged directly to the consolidated statement of income, or charged to the revaluation reserve to the extent that the decrease is related to an increase for the same asset which was previously recorded as a credit to the revaluation surplus.

Depreciation on the re-valued properties is charged to the consolidated statement of income over their remaining estimated useful lives and an amount equivalent to the excess depreciation charge relating to the increase in carrying amount is transferred each year from the revaluation reserve to retained earnings.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment in associates
An associate is a company over which the group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the group's share of the associates' results using the equity method of accounting. 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 statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

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

The financial statements of the associates are prepared either to the reporting date of the group or to a date not earlier than three months of the group's reporting date. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its 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 statement of income.

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.

4 Summary of significant accounting policies (continued)

Investment properties
Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property. Subsequent to initial recognition, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers. Changes in fair value are taken to the consolidated statement of income.

Investment properties are de-recognised 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 statement of income 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. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Financial instruments
Classification
The group classifies financial assets upon initial recognition into the following categories:

i. Investments at fair value through profit or loss
ii. Loans and receivables
iii. Available for sale

Except for derivatives, all other financial liabilities are classified as “non trading financial liabilities”. The group’s financial liabilities are classified under “trust certificates issued”, “long term and short term borrowings”, “lease creditors”, “accounts payable and other liabilities” and “due to banks” in the consolidated statement of financial position.

Investments at fair value through profit or loss are either "held for trading" or "designated" as such on initial recognition.

The group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Investments are classified as designated at fair value through profit or loss at inception if they have readily available reliable fair values and the changes in fair values are reported as part of the profit or loss in the management accounts, according to a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The groups loans and receivables are classified under “accounts receivables and other assets”, “murabaha and wakala investments”, “short term deposits” and “bank balances and cash” in the consolidated statement of financial position.

Financial assets which are not classified as above are classified as available for sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of these financial instruments at initial recognition.

4 Summary of significant accounting policies (continued)

Measurement

Investments at fair value through profit or loss
Investments at fair value through profit or loss are initially recognised at cost, being the fair value of the consideration given, excluding transaction costs.

Subsequent to initial recognition, investments at fair value through profit or loss are re-measured at fair value and changes in fair value are recognised in the consolidated statement of income.

Loans and receivables
Loans and receivables are stated at amortised cost using the effective interest rate method.

Available for sale investments
Available for sale investments are initially recognised at cost, being the fair value of the consideration given, plus transaction costs that are directly attributable to the acquisition.

Subsequent to initial recognition, available for sale investments are re-measured at fair value unless fair value cannot be reliably measured, in which case they are measured at cost less impairment, if any.

Changes in fair value of available for sale investments are recognised as a separate component in other comprehensive income under "cumulative changes in fair value" account until the investment is either derecognised or determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the consolidated statement of income.

Financial liabilities
Non-trading financial liabilities are stated at amortised cost using the effective interest method.

Fair values
For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

The determination of fair value is done for each investment individually.

Trade and settlement date accounting
All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place concerned.

Recognition and de-recognition of financial assets and liabilities
A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument.

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

- the rights to receive cash flows from the asset have expired; or
- the group has transferred its rights 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.

4 Summary of significant accounting policies (continued)

Recognition and de-recognition of financial assets and liabilities (continued)
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where 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 consolidated statement of income.

Impairment of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For financial assets carried at fair value, impairment is the difference between cost and fair value; and

(b) For financial assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

(c) For financial assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for reversal of impairment losses related to equity instruments classified as available for sale, all other impairment reversals are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Impairment reversals in respect of equity instruments classified as available for sale are recognised in the cumulative changes in fair value reserve in other comprehensive income.

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 by recognising impairment loss in the consolidated statement of income. 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.

With the exception of impairment in respect of goodwill, 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 group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets 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.

4 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating units to which goodwill has been allocated, an impairment loss is recognised immediately in consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Inventories
Inventories are valued at the lower of cost and net realisable value. In respect of finished goods and work-in-progress, cost includes all direct costs of production and an appropriate proportion of production overheads. Cost of raw materials, consumables and spare parts is calculated using the weighted average cost method and provision is taken for slow moving and obsolete items.

Murabaha and wakala investments
These investments are financial assets which are treated as loans and receivables and are stated at amortised cost.

Treasury shares
Treasury shares are stated at cost as a deduction within equity and they are not entitled to cash dividends. The issue of bonus shares increase the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Gains or losses resulting from the sale of treasury shares are recognised directly to equity under "Gain on sale of treasury shares reserve". Should the reserve fall short of any losses from the sale of treasury shares, the difference is charged to retained earnings then reserves, subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves then retained earnings equal to the loss previously charged to these accounts.

Trust certificates issued
Trust certificates issued (Mudarabaha and Musharaka sukuk) are stated on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the certificates to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of income over the life of the certificates using the effective interest rate method.

Finance cost is charged as an expense as it accrues, with unpaid amounts included in other liabilities.

Leasing and hire purchase
Assets acquired under finance leases and hire purchase arrangements are capitalised and the related liabilities, excluding finance charges, are included in borrowings. Finance charges in respect of such liabilities are charged to the consolidated statement of income as incurred. Operating lease rentals are written off on a straight-line basis over the lease period except where the lease terms are onerous in which case provision is made for the net present value of the probable liability.

Wakala payables
Wakala payables represent Islamic financing arrangements, whereby the group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

4 Summary of significant accounting policies (continued)

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) resulting from a past event and the costs to settle the obligation are both probable and reliably measurable.

Provision for end of service indemnity
For the parent company and the local subsidiaries, the provision for staff indemnity is computed based on employees' accumulated periods of service at the reporting date in accordance with the Kuwait labour law for the private sector.

Provisions for land fill expenses
Provision for land fill expenses is calculated based on the expected cost which is required to restore the leased sites, used by the group for extracting raw materials for its operations, to its original condition.

Pensions (Related to the foreign subsidiaries)
Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisers.

Defined contribution schemes
Contributions to defined contribution schemes are charged to the consolidated statement of income on an accrual basis.

Defined benefit schemes
In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of income and is calculated as the aggregate of current service cost (using the projected unit credit method), an interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised actuarial gains and losses, recognised past service costs and the effect of curtailments or settlements.

Actuarial gains or losses are recognised as income or expense if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded the greater of:

- 10% of the present value of the defined benefit obligations; and
- 10% of the fair value of plan assets.

The portion of actuarial gains and losses to be recognised is the excess determined above, divided by the expected average remaining service lives of participating employees.

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

Foreign currencies
Functional and presentation currency
The consolidated financial statements are presented in Kuwaiti Dinars, which is the parent company's functional and presentational currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to "foreign exchange gain/loss" in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies

At the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates, are translated into the group's presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the reporting date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Derivative financial instruments

The group uses derivative financial instruments, such as interest rate swaps to mitigate its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions, based on prevailing market information. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of income.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, 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.

5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies which are described in note 4, the management is required to make judgements, estimates and assumption 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.

Judgments

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

Classification of financial assets

Management decides on acquisition of a financial asset whether it should be classified as fair value through profit or loss, loans and receivables or available for sale. In making that judgement the group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or other comprehensive income.

Classification of real estate properties

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

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

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

Impairment of available for sale equity investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. During the year ended 31 December 2010 impairment loss of KD42,830 thousand was recognised for available for sale investments (2009: KD43,183 thousand).

Impairment of loans and receivables

The group's management reviews periodically items classified as loans and receivables (including wakala investments) to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. During the year ended 31 December 2010 impairment losses of KD6,603 thousand have been recognised for receivable and other assets (2009: KD7,483 thousand have been recognised against wakala investments).

Estimation uncertainty

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

5 Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair value of financial instruments

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

Revaluation of investment properties

The group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of income. The group engaged independent valuation specialists to determine fair value as at 31 December 2010 and the valuers have used valuation techniques to arrive at these fair values.

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of impairment of property, plant and equipment and their useful lives

The group's management tests annually whether property plant and equipment have suffered impairment in accordance with the accounting policies stated within note 4 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The group's management determines the useful lives of property, plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Pension liabilities/asset

Pension assumptions are detailed in note 34 and the pension expense for the year is sensitive to such assumptions and to the basis and period of spreading the actuarial deficit.

6 Subsidiary companies

The significant consolidated subsidiaries as at 31 December 2010 and 2009 are as follows:

	Country of registration	Percentage ownership	
		31 Dec. 2010 %	31 Dec. 2009 %
NI Group (Bahrain) EC	Bahrain	**100**	100
NIC Holdings (Guernsey) Limited	Guernsey	**100**	100
NIG (Guernsey) Limited	Guernsey	**100**	100
NIC Holdings (UK) Plc	United Kingdom	**100**	100
BI Group Plc	United Kingdom	**100**	100
National Land Transport Company– SAK (Closed)	Kuwait	**100**	100
Economic Holding Company – KCS (Closed) [formerly: National Combined Health Services Co. – KSC (Closed)]	Kuwait	**100**	100
National Combined Industries Holding Company for Energy – KSC (Closed) [Formerly: National Industries Company for Combined Energy – KSC (Closed)]	Kuwait	**100**	100
Al Durra National Real Estate – KSC (Closed)	Kuwait	**100**	100
Eagle Proprietary Investments Limited	UAE	**100**	100
Proclad Group Limited	UAE	**100**	100
Denham Investment LTD	Cayman Islands	**85**	85
Ikarus Petroleum Industries Company – SAK (Closed)	Kuwait	**72**	72
National Industries Company KSC(Closed)	Kuwait	**51**	51
Noor Financial Investment Company – KSC (Closed)	Kuwait	**51**	51
Noor Telecommunication Company – KSC (Closed) (d)	Kuwait	**51**	-
Loloah National Industries Trading Company – WLL (c)	Kuwait	**-**	100

6 Subsidiary companies (continued)

a. NIG (Guernsey) Limited is the ultimate European holding company of the UK trading group and owns 100% of NIC Holdings (UK) Plc which in turn owns 100% of BI Group Plc.

b. Certain non-controlling interests in the above subsidiary companies are held on behalf of the parent company by third party nominees.

c. **Disposal of subsidiaries**

Year ended 31 December 2010

During the year, the group disposed its fully owned subsidiary, Loloah National Industries Trading Company – WLL to an associate company for a consideration of KD1,112 thousand resulting in a profit of KD646 thousand.

The carrying value of the disposed assets and transferred liabilities of the subsidiary at the date of disposal were as follows:

	KD '000
Total assets	**1,320**
Total liabilities	**(1,154)**
	166
Sale proceeds	**1,112**
Profit on disposal	**946**
Less:	
Elimination of proportionate profit on disposal to the extent of the groups shareholding in the associate	**(300)**
Profit recognised in the consolidated statement of income	**646**

During the year, one of the local subsidiaries of the group, disposed two of its wholly owned subsidiaries to a related party for a total consideration of KD1,329 thousand at their carrying values and the transactions have not resulted in any gains or losses to the group.

Year ended 31 December 2009

During the year 2009, the group disposed its fully owned subsidiary, Gas and Oil Fields Services Company – KSC to an associate company for a consideration of KD9,472 thousand resulting in a profit of KD1,653 thousand.

The carrying value of the disposed assets, transferred liabilities and related goodwill (net of impairment) of the subsidiary at the date of disposal were as follows:

	KD '000
Total assets	6,415
Total liabilities	(417)
Goodwill	1,185
	7,183
Sale proceeds *	9,472
Profit on disposal	2,289
Less:	
Elimination of proportionate profit on disposal to the extent of the groups shareholding in the associate	(636)
Profit recognised in the consolidated statement of income	1,653

6 Subsidiary companies (continued)

* The proceeds on the disposal of the subsidiary has been set off against the loan due to the same associate as of the date of disposal.

d. **Acquisition of subsidiary**

In December 2010 the group acquired control over Noor Telecommunication Company - KSC (formally a 40% owned associate) through a step up acquisition of an additional 11% equity interest in the investee. This is accounted in accordance with the revised IFRS 3 as follows:

	KD '000
Consideration settled (note 20b)	**7,150**
Value of non-controlling interests	**32,538**
Fair value of the previously held equity interest on acquisition date	**26,220**
	65,908
Less : Recognised amounts of identifiable assets acquired and liabilities assumed	
Bank balances and cash	**3,714**
Murabaha and wakala investments	**27,435**
Investment at fair value through profit or loss	**8,024**
Account receivables and other assets	**1,705**
Available for sale investments	**24,829**
Investment in an associate	**2,844**
Account payable and other liabilities	**(2,341)**
Total identifiable net assets	**66,210**
Negative goodwill (included in other income)	**302**

The initial accounting for the business combination is provisional due to its complexity, and will be adjusted retrospectively when the final purchase price allocation is completed during the one year measurement period from the acquisition date.

The financial position of the newly controlled subsidiary as at 31 December 2010 was consolidated with the group's financial position as of that date. Accordingly, the acquired subsidiary has not contributed revenues and profit to the net results of the group.

7 Income from investments

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Dividend income:		
- From investments at fair value through profit or loss	**1,044**	472
- From available for sale investments	**14,078**	18,228
Profit on sale of available for sale investments	**12,977**	39,184
Realised gain on investments at fair value through profit or loss	**4,515**	4,539
Unrealised loss on investments at fair value through profit or loss	**(224)**	(2,559)
	32,390	59,864

8 Interest and other operating income

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Management and placement fees	**3,062**	2,372
Realised gain on dealing in foreign currencies	**1,272**	700
Interest/profit on bank balances, short term deposits, murabaha and wakala investments	**3,115**	9,543
Net loss from dealing in interest rate swaps (a)	**(3,834)**	(4,102)
Income from financing of future trade by customers	**238**	108
Net (loss)/profit from transportation business (b)	**(1,099)**	363
Negative goodwill on acquisition of subsidiary (6d)	**302**	-
Others	**1,370**	4,430
	4,426	13,414

a) Net loss on interest rate swaps represents realised loss of KD4,889 thousand (2009: realised loss of KD5,319 thousand) and unrealised gain of KD1,055 thousand (2009: unrealised gain of KD1,217 thousand) (refer note 39).

b) Net (loss)/profit from transportation business (relating to a foreign subsidiary)

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Revenue from services	**1,146**	1,114
Less: Direct operating cost	**(2,245)**	(751)
	(1,099)	363

9 Net gain or (loss) on financial assets

Net gain or (loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Loans and receivables		
- bank balances and short term deposits	**2,902**	7,894
- realised gain on dealing in foreign currencies	**1,272**	700
- murabaha and wakala investments (2009: net of impairment losses of KD7,483 thousand)	**213**	(5,834)
- account receivable and other assets (income from financing of future trades by customers)	**238**	108
- impairment in value of receivable and other assets	**(6,603)**	-
At fair value through profit or loss		
- held for trading	**1,400**	(615)
- designated as such on initial recognition	**3,935**	3,067
- net loss from dealing in interest rate swaps	**(3,834)**	-
Available for sale investments		
- recognised in other comprehensive income (including non-controlling interests share)	**93,084**	85,774
- recycled from other comprehensive income to consolidated statement of income		
• On impairment	**(42,830)**	(43,183)
• On disposal	**5,757**	14,556
- recognised directly in consolidated statement of income	**21,298**	42,856
	76,832	105,323
Net (loss)/gain recognised in the consolidated statement of income	**(16,252)**	19,549
Net gain recognised in the other comprehensive income	**93,084**	85,774
	76,832	105,323

10 Finance costs

Finance costs relate mainly to due to banks, short and long term borrowings, trust certificates issued and lease creditors. All these financial liabilities are stated at amortised cost.

11 Taxation and other statutory contributions of subsidiaries

(a) Taxation of foreign subsidiaries*

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Current tax expense		
Current year reversal	**260**	56
Deferred tax expense		
Current year charge	**-**	(172)
	260	(116)

(b) KFAS, NLST and Zakat of local subsidiaries **

Contributions to Kuwait Foundation for Advancement of Science (KFAS)	**(115)**	-
Provision for National Labour Support Tax (NLST)	**(192)**	-
Provision for Zakat	**(364)**	-
	(671)	-
	(411)	(116)

*The above tax is calculated based on the tax law adopted in United Kingdom.

**The above contributions and provisions are on profit of local subsidiaries, no contribution and provision for the parent company was recognised as the net results attributable to the parent company was a loss.

12 Loss for the year

Loss for the year is stated after charging:

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Staff costs	**26,018**	27,898
Depreciation	**6,547**	7,949

13 Basic and diluted loss per share attributable to the owners of the parent

Loss per share is calculated by dividing the loss for the year attributable to the owners of the parent by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2010	Year ended 31 Dec. 2009
Loss for the year attributable to the owners of the parent (KD '000)	**(19,200)**	(23,187)
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**1,267,448,058**	1,260,536,478
Basic and diluted loss per share	**(15) Fils**	(18) Fils

14 Goodwill

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Balance at 1 January	**8,333**	8,231
Additions and other adjustments	**153**	216
Disposals	**-**	(1,185)
Impairment in value	**(1,326)**	-
Foreign exchange adjustment	**(442)**	1,071
	6,718	8,333

15 Property, plant and equipment

Year ended 31 December 2010

	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total KD '000
Cost or valuation									
At 1 January 2010	4,301	732	34,419	66,671	9,361	12,727	2,055	12,980	**143,246**
Foreign exchange adjustments	(468)	(41)	-	(1,689)	-	-	(124)	-	**(2,322)**
Additions	56	11,510	141	12,122	951	159	57	3,115	**28,111**
Disposals and write off	(522)	-	(19)	(3,543)	(117)	(79)	-	-	**(4,280)**
Adjustment related to disposal of subsidiary	-	-	(4,936)	(2,474)	(34)	(122)	-	-	**(7,566)**
At 31 December 2010	**3,367**	**12,201**	**29,605**	**71,087**	**10,161**	**12,685**	**1,988**	**16,095**	**157,189**
Accumulated depreciation and impairment losses									
At 1 January 2010	730	731	27,793	48,457	7,801	7,161	1,152	-	**93,825**
Foreign exchange adjustments	(105)	(43)	-	(1,200)	-	-	(69)	-	**(1,417)**
Charge for the year	475	159	319	3,394	699	1,408	93	-	**6,547**
Relating to disposals and write off	(475)	-	(19)	(1,266)	(115)	(78)	-	-	**(1,953)**
Adjustment related to disposal of subsidiary	-	-	(4,676)	(2,235)	(29)	(74)	-	-	**(7,014)**
At 31 December 2010	**625**	**847**	**23,417**	**47,150**	**8,356**	**8,417**	**1,176**	**-**	**89,988**
Net book value									
At 31 December 2010	**2,742**	**11,354**	**6,188**	**23,937**	**1,805**	**4,268**	**812**	**16,095**	**67,201**

A full independent valuation of all freehold properties held by NIC Holding (Guernsey) and NIG (Guernsey) Limited was obtained as at 1 January 1999 and the valuation was incorporated into the consolidated financial statements. The management of the group considers that there has been no significant change in the market value since the last valuation of these properties.

Property on leasehold land, plant and machinery with a net book value of KD1,623 thousand (2009: KD1,306 thousand) are secured against the trust certificates (Musharaka sukuk) (refer Note 27).

Properties on lease hold land are on lands which have been leased from the government of Kuwait through renewable lease contracts.

Property under construction represents the cost incurred on the expansion of one of the subsidiaries existing factories and the construction of a new office building for the same subsidiary. These amounts will be transferred to the appropriate asset categories when the assets are ready for their intended use.

15 Property, plant and equipment (continued)

Year ended 31 December 2009

	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total KD '000
Cost or valuation									
At 1 January 2009	4,237	626	33,488	58,329	9,098	7,707	2,011	11,104	126,600
Foreign exchange adjustments	976	106	-	4,047	5	-	315	-	5,449
Additions	31	-	931	9,313	340	5,100	159	1,876	17,750
Disposals	(943)	-	-	(2,563)	(82)	(80)	(430)	-	(4,098)
Adjustment related to disposal of subsidiary	-	-	-	(2,455)	-	-	-	-	(2,455)
At 31 December 2009	4,301	732	34,419	66,671	9,361	12,727	2,055	12,980	143,246
Accumulated depreciation and impairment losses									
At 1 January 2009	1,098	562	27,455	42,646	7,197	6,017	1,119	-	86,094
Foreign exchange adjustments	297	90	-	2,680	-	-	179	-	3,246
Charge for the year	101	79	338	5,412	640	1,211	168	-	7,949
Relating to disposals	(766)	-	-	(2,281)	(36)	(67)	(314)	-	(3,464)
At 31 December 2009	730	731	27,793	48,457	7,801	7,161	1,152	-	93,825
Net book value									
At 31 December 2009	3,571	1	6,626	18,214	1,560	5,566	903	12,980	49,421

16 Investment in associates

The significant associates of the Group as at 31 December 2010 and 2009 are as follows:

	Percentage ownership	
	31 Dec. 2010	31 Dec. 2009
Kuwait Rocks Company – SAK (Closed)	**38**	38
Privatization Holding Company – KSC (Closed) (Quoted)	**31**	31
Kuwait Cement Company – SAK (Closed) - (Quoted)	**25**	25
Al Raya International Real Estate – KSC (Closed)	**23**	23
Marsa Alam Holding Company – KSC (Closed)	**20**	20
Eastern United Petroleum Services Company – KSC (Closed)	**20**	20
Mabanee Company SAK (Closed) - (Quoted)	**20**	20
Meezan Bank Ltd – (Quoted)	**49**	46
Noor Telecommunication Company – KSC (Closed) (a)	**-**	40

a) During December 2010, Noor Telecommunication Company – KSC became a subsidiary (refer note 6 d). "Share of results of associates" in the current year includes share of results from Noor Telecommunication Company – KSC up to 31 December 2010.

b) All of the above associates are incorporated in Kuwait with the exception Meezan Bank Ltd, which is registered in the Pakistan.

Aggregate share of associates' assets and liabilities:

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Assets	**592,642**	519,640
Liabilities	**361,711**	289,767

Aggregated share of associates' revenue and profit:

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Revenue	**67,978**	46,332
Profit (recognised in the consolidated statement of income)	**29,680**	4,379

c) Investment in quoted associates with a carrying value of KD222,451 thousand (2009: KD183,902 thousand) have a market value of KD216,929 thousand (2009: KD178,841 thousand).

d) The group's share of associates' contingent liabilities amounted to KD29,429 thousand (2009: KD27,226 thousand). This includes the group's share of contingent liabilities related to a foreign bank (Meezan Bank Ltd.) which amounted to KD29,310 thousand (2009: KD25,948 thousand).

17 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Balance at 1 January	**33,742**	22,645
Additions during the year	**5,915**	7,487
Change in fair value	**(3,015)**	3,610
Balance at 31 December	**36,642**	33,742

17 Investment properties (continued)

Investment properties comprise of land and buildings as follows:

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Kuwait	**9,373**	7,350
Saudi Arabia	**26,888**	25,974
Jordan	**381**	418
Total	**36,642**	33,742

The property in Saudi Arabia is held through a special purpose entity (SPE) created specifically for this purpose and co-owned by the group with joint owners. The registered owner of the property has issued a letter confirming the co-ownership.

Investment properties are stated at fair value, which has been determined based on valuations performed by independent valuers.

18 Available for sale investments

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Non Current		
Managed funds	**193,967**	186,089
Unquoted equity participations	**197,473**	226,382
Quoted shares	**398,913**	291,336
	790,353	703,807
Current		
Quoted shares (a)	**104,514**	108,406
	894,867	812,213

a) The quoted shares classified as current at 31 December represents the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008 (refer note 22).

b) Managed funds include investments in private equity funds with a carrying value of KD73,765 thousand (2009: KD61,645 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

c) At the end of the year, the group recognised an impairment loss of KD16,129 thousand (2009 : KD37,504 thousand) for certain local and foreign quoted shares, as the market value of these shares at reporting dates declined significantly below their costs. Further the group also recognised an impairment loss of KD26,701 thousand (2009: KD5,679 thousand) against certain unquoted shares, local and foreign funds based on estimates made by management as per information available to them and the net assets values reported by the investment managers at the reporting date.

d) Unquoted investments and managed funds of KD90,417 thousand (2009: KD94,534 thousand) are carried at cost less impairment in value if any, since their fair value cannot be reliably determined. The group's management is not aware of any circumstance that would indicate impairment/further impairment in value of these investments.

e) Quoted shares with a fair value of KD34,996 thousand (31 December 2009: KD24,579 thousand) are secured against short term borrowings (refer note 31).

19 Inventories

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Finished goods and work-in-progress	**10,400**	13,084
Raw materials and consumables	**7,714**	8,042
Spare parts and others	**2,664**	2,754
Goods in transit	**732**	1,359
	21,510	25,239
Provision for obsolete and slow moving inventories	**(1,457)**	(2,668)
	20,053	22,571

20 Accounts receivable and other assets

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Financial assets		
Trade receivables – gross	**16,439**	22,484
Less: Provision for impairment of trade receivables	**-**	(1,155)
Net trade receivables	**16,439**	21,329
Amounts due on sale of investments	**1,682**	1,047
Due from associates [(b) and (c)]	**5,612**	15,301
Due from other related parties	**2,945**	361
Due from key management personnel	**313**	313
Advance payments to acquire investments	**7,052**	13,647
Due from Kuwait Clearing Company	**3,844**	3,133
Due from investment brokerage companies	**8,276**	2,760
Interest and other accrued income	**4,116**	4,299
Other financial assets	**6,431**	9,134
	56,710	71,324
Non-financial assets		
Advance payments to acquire property, plant and equipment	**-**	11,394
Other assets	**2,472**	2,200
	2,472	13,594
	59,182	84,918

a) Trade receivables are non-interest bearing and generally on 30 to 90 days terms.

As at 31 December the aging analysis of trade receivables is as follows:

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Neither past due nor impaired	**13,850**	14,785
Past due but not impaired		
- less than 3 months	**2,150**	3,834
- 3 – 6 months	**439**	2,710
Past due and partially impaired		
- over 6 months	**-**	1,155
Total trade receivables	**16,439**	22,484

20 Accounts receivable and other assets (continued)

Trade receivables that are less than six months past due, are not considered impaired since they relate customers for whom there is no recent history of default.

During the year, the group has written off certain old receivables against provision amounting to KD1,155 thousand.

b) In December 2010, the group acquired an additional stake of 11% in Noor Telecommunication Company – KSC (note 6d), from an associate for a consideration of KD7,150 thousand. The consideration due was deducted from the amount due from the associate.

c) During the year, the group recognised an impairment loss of KD2,177 thousand for certain projects under progress. Further, the group also recognised an impairment loss of KD3,851 thousand and KD575 thousand against amounts due from associates and other receivables respectively.

21 Murabaha and wakala investments

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Murabaha and wakala investments	**30,231**	20,169
Provision for impairment in value	**(14,968)**	(9,968)
	15,263	10,201

The above investments include a wakala placement of KD14,968 thousand (2009: KD9,968 thousand) made by local subsidiaries with a local Islamic investment company which matured on 17 October 2008. The local investee company has defaulted on settlement of this balance on the maturity date. Of the KD14,968 thousand, KD5,000 thousand relates to the subsidiary acquired during the year (note 6d) and the placement had already been fully impaired for on acquisition.

The local subsidiaries have filed a case against the investment company and recognised full provision against this wakala investment based on information available to management as of 31 December 2009 and in accordance with the Central Bank of Kuwait credit provisioning rules.

No profit was recognised on impaired wakala investments during the current year.

The murabaha and wakala investments carry effective profit rates ranging from 0.625% to 2.315% (2009: 7.75% to 8%) per annum.

22 Investments at fair value through profit or loss

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Held for trading :		
Quoted shares	**60,955**	65,310
Designated on initial recognition :		
Local funds	**33,666**	41,121
International managed portfolios and funds	**24,497**	21,901
	58,163	63,022
	119,118	128,332

22 Investments at fair value through profit or loss (continued)

a). **Effect of reclassification due to adoption of amendment to IAS 39.**
During the 2008, as a result of significant developments in the global financial markets, the group adopted amendments to IAS 39 and IFRS 7 with effect from 1 July 2008 and reclassified investments with a fair value of KD380,755 thousand as at 1 July 2008 from "fair value through profit or loss" category to "available for sale" category. The fair value of remaining reclassified investments as of 31 December 2010 is KD104,514 thousand (2009: KD108,406 thousand).

b). During October 2008, a local money market funds, in which the group has investments totaling to KD2,020 thousand as at 31 December 2010 (2009: KD2,244 thousand), suspended redemption requests. Management has been informed by the managers of the funds that redemptions will be made depending on availability of liquid funds. The group's management considers this to be a situation arising from the current crisis in the global financial market and its impact on the local market. The investment has been fair valued based on the unaudited net asset value reported by the fund manager as of 31 December 2010. The group's management expects to realise these investments at not less than its carrying value.

c). Quoted shares, held by local subsidiary, with a fair value of KD17,458 thousand (2009: KD16,770 thousand) are secured against short term borrowings (refer note 31).

23 Share capital and share premium

a) As of 31 December 2010, the issued and fully paid share capital of the parent company comprised of 1,295,098,167 shares of 100 Fils each (2009: 1,295,098,167 shares).

b) At the extraordinary general assembly held on 21 May 2009, the shareholders of the parent company approved to increase the paid up share capital by 25% by way of issuing shares at par value of 100 Fils per share and premium of 350 Fils per share, and it has not been affected up to the date of issuance of these financial statements.

c) Further the shareholders of the parent company approved at the shareholders general assembly held on 21 May 2009 to offset the accumulated losses as at 31 December 2008 amounting to KD97,752 thousand against general reserve and then statutory reserve.

d) Share premium is not available for distribution.

24 Treasury shares

	31 Dec. 2010	31 Dec. 2009
Number of shares	**32,239,123**	25,009,123
Percentage of issued shares	**2.49%**	1.93%
Market value (KD '000)	**11,122**	7,503
Cost (KD'000)	**30,804**	28,064

Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

As at 31 December 2010, one of the associate companies of the group held 115,582,837 (2009: 115,582,837 shares) shares of the parent company's shares equivalent to 8.9% (2009: 8.9%) of the parent company's shares issued.

25 Staff shares

No staff shares were issued during the year 2010. During the year 2009 the parent company issued 3,279,246 shares to its senior management as bonus shares by utilizing its treasury shares. The carrying amount and market value of these shares issued amounted to KD2,023 thousand and KD1,416 thousand respectively and the resultant loss of KD607 thousand was taken to the gain on sale of treasury shares reserve. The market value of the shares has been charged to the consolidated statement of income as cost of share based payments.

26 Cumulative changes in fair value, other reserves and Non-controlling interests

a) Cumulative change in fair value

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Balance at 1 January	**109,872**	43,968
Other comprehensive income:		
Net change in fair value of available for sale investments	**49,212**	46,025
Transferred to consolidated statement of income on disposal of available for sale of investments	**(4,378)**	(13,663)
Transferred to consolidated statement of income on impairment in value of available for sale investments	**37,761**	36,481
Share of fair value adjustment in associates	**3,265**	(2,939)
Other comprehensive income for the year	**85,860**	65,904
Balance at 31 December	**195,732**	109,872

b) Other reserves

	Statutory reserve KD '000	**General reserve KD '000**	**Gain on Sale of treasury shares reserve KD '000**	**Foreign currency translation reserve KD '000**	**Total KD '000**
Balances at 31 December 2008	110,459	28,708	14,309	(2,025)	151,451
Gain on disposal of treasury shares	-	-	4,688	-	4,688
Offset of accumulated losses (refer note 23 c)	(69,044)	(28,708)	-	-	(97,752)
Other comprehensive income:					
Currency translation differences	-	-	-	1,291	1,291
Balances at 31 December 2009	41,415	-	18,997	(734)	59,678
Gain on disposal of treasury shares	-	-	75	-	75
Reserve transfers of subsidiaries	289	289	-	-	578
Other comprehensive income:					
Currency translation differences	-	-	-	(1,250)	(1,250)
Balances at 31 December 2010	**41,704**	**289**	**19,072**	**(1,984)**	**59,081**

Statutory reserve

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors remuneration but after Non-controlling interest is to be transferred to statutory reserve. The parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up 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 distribution of a dividend of that amount. No transfer is required in a year in which the group has incurred a loss or where accumulated losses exist.

26 Cumulative changes in fair value, other reserves and Non-controlling interests (continued)

c) Non-controlling interests

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Balance at 1 January	**143,828**	137,927
Acquisition of subsidiary	**32,538**	-
Investments made by non-controlling interests of subsidiaries	**-**	1,183
Dividend paid to non-controlling interests by the subsidiaries	**(391)**	(1,515)
Other net changes in non-controlling interests	**(3,627)**	41
Transactions with non-controlling interests	**28,520**	(291)
Loss for the year	**(7,008)**	(12,341)
Other comprehensive income :		
Exchange differences arising on translation of foreign operations	**(545)**	(236)
Net change in fair value of available for sale investments	**6,799**	11,122
Transferred to consolidated statement of income on disposal of available for sale investments	**(1,379)**	(893)
Transferred to consolidated statement of income on impairment in value of available for sale investments	**5,069**	6,702
Share of other comprehensive income of associates	**(1,068)**	1,838
Total other comprehensive income for the year	**8,876**	18,533
Total comprehensive income for the year	**1,868**	6,192
Balance at 31 December	**174,216**	143,828

27 Trust certificates issued

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Trust certificates		
- Murdaraba sukuk	**133,523**	136,467
- Musharaka sukuk	**14,010**	28,612
	147,533	165,079
Less : Due within one year	**(14,010)**	(14,306)
	133,523	150,773

Trust certificates – Mudaraba sukuk:
During August 2007 the parent company entered into an Islamic financing arrangement whereby the parent company issued through a special purpose vehicle Trust certificates (Mudaraba Sukuk) of US Dollars 475,000 thousand at an issue price of 100% of their principal amount which are due at the end of 5 years from the date of issue. The certificate holders are entitled to a quarterly profit distribution at the rate of 3 months LIBOR plus 1.05% per annum.

Trust certificates - Musharaka sukuk:
During October 2006 the subsidiary, National Industries Company – KSC (Closed) entered into an Islamic financing arrangement whereby the subsidiary, through a special purpose vehicle, issued secured trust certificates (Musharaka sukuk) of US Dollars 100,000 thousand at an issue price of 100% of their principal amount and due in 4 equal semi-annual instalments commencing from April 2010 and ending in October 2011. The certificate holders are entitled to a semi-annual profit distribution at the rate of 6 months LIBOR plus 1% per annum. The Islamic financing arrangement is secured by four of the subsidiary's factories (refer note 15).

27 Trust certificates issued (continued)

Trust certificates - Musharaka sukuk: (continued)
During the year, the subsdiary made two payments of USD25,000 thousand each to the sukuk holders being the first two instalments of the principal amount of the musharaka sukuk.

28 Long-term borrowings

Currency	Effective Interest rate	Security	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Kuwaiti Dinars	3.5% - 5%	Unsecured	**140,535**	192,000
US Dollars	2% - 2.75%	Unsecured	**53,963**	5,819
Euro/Sterling	2% - 4.5%	Secured /unsecured	**3,990**	3,757
			198,488	201,576
Less : Due within one year			**(32,800)**	(166,431)
			165,688	35,145

During the year, the group has reclassified Kuwaiti Dinar denominated loans amounting to KD95,000 thousand (2009: KD20,000 thousand) and US Dollars denominated loans amounting to KD13,276 thousand (2009: KD Nil) to long term borrowings from short term borrowings as these were rescheduled to long term.

The Euro loans are secured against property, plant and equipment with a book value of KD1,712 thousand (2009: KD1,402 thousand).

29 Provisions

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Provision for staff indemnity	**6,257**	5,740
Provision for land-fill expenses	**655**	630
Provision for rental property	**5,452**	4,071
Provision for deferred tax	**-**	41
	12,364	10,482
Less: Provision for rental property – amount due in less than one year	**(1,000)**	(1,427)
	11,364	9,055

The provision for rental property relates to onerous property rental costs (net of estimated rent receivable) and dilapidations obligations of foreign subsidiaries which are payable over various periods up to 2017. During the year group provided an amount of KD2,693 thousand (2009: KD578 thousand) for onerous property rental costs and dilapidation obligations and has utilised an amount of KD1,312 thousand (2009: KD196 thousand), from the provision.

30 Accounts payable and other liabilities

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Financial liabilities		
Trade payables	**11,598**	13,075
Accrued interest	**4,012**	3,643
Dividend payable	**1,986**	3,388
Leasing creditors - amount due in less than one year	**201**	261
Provision for rental property – amount due in less than one year	**1,000**	1,427
National labour support tax	**3,919**	3,727
Kuwait Foundation for the Advancement of Sciences and Zakat	**3,472**	2,993
Other accruals	**3,083**	3,275
Due to associates (refer note 36)	**2,816**	423
Unrealised loss on interest rate swaps (refer note 39)	**-**	4,043
Other liabilities	**8,341**	6,395
	40,428	42,650
Non-financial liabilities		
Other creditors	**821**	952
Accruals	**2,138**	838
	2,959	1,790
	43,387	44,440

31 Short-term borrowings

Currency	Effective Interest rate	Security	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Conventional loans				
Kuwaiti Dinars (a)	4.5% - 6.5%	Unsecured/ secured	**301,640**	224,900
US Dollars	0.8% - 4.8%	Unsecured	**153,127**	213,448
Sterling	2% - 3.5%	Unsecured	**11,979**	13,987
Jordan Dinars (b)	3.9% - 8.7%	Secured	**4,122**	-
			470,868	452,335
Long term borrowings due within one year			**32,800**	166,431
			503,668	618,766
Islamic financing arrangements				
Murabaha/wakala payables	3% - 6.5%	Unsecured	**91,280**	113,715
			91,280	113,715
Total			**594,948**	732,481

a. Kuwaiti Dinar loans amounting to KD34,540 thousand (2009: KD31,700 thousand) of the group, is secured by certain investments at fair value through profit or loss (refer note 22), and available for sale investments (refer note 18). Subsequently one of the secured loan amounting to KD3,000 was fully settled and the related security amounting to KD3,786 was released.

b. The Jordan Dinar loan amounting to KD4,122 thousand of a foreign subsidiary is secured by property, plant and equipment of that subsidiary.

32 Cash and cash equivalents

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Murabaha and wakala investments – maturing within three months	**500**	7,500
Short term deposits	**104,565**	131,464
Bank balance and cash	**38,002**	30,132
Due to banks	**(33,278)**	(43,603)
	109,789	125,493
Less: Short term deposits maturing after 3 months	**(150)**	-
: Blocked balances	**(10)**	(1,160)
Cash and cash equivalents for the purpose of consolidated cash flow statement	**109,629**	124,333

Short term deposits yield an average interest rate of 1.5% per annum (2009: 1.5% per annum).

Bank balance and cash include call accounts which yield interest rate of 1.5% per annum (2009: 1.5% per annum).

Due to banks are subject to interest rates ranging from 5% to 6% per annum (2009: 5% to 6% per annum).

33 Dividend distribution

The board of directors of the parent company do not propose any dividend for the year ended 31 December 2010.

The board of directors of the parent company did not propose any dividend for the year ended 31 December 2009 and this was approved by the shareholders of the parent company at the general assembly held on 6 May 2010.

34 Defined benefit pensions schemes

The group has defined benefit pension schemes for the employees of certain subsidiaries in the United Kingdom. The following disclosures cover all the schemes on an aggregated basis. The schemes are closed to new members and are not accruing further benefits. Actuarial calculations have been made in order to determine pension liabilities and pension expenses in connection with the group's defined benefit pension schemes. The following assumptions have been used in calculating the liabilities and expenses incurred:

	31 Dec. 2010	31 Dec. 2009
Discount rate	**5.8%**	5.8%
Expected return on plan assets	**5.42%**	5.42%
Future salary increases	**N/A**	N/A
Future pension increases	**3.20%**	3.25%

Consolidated statement of income

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Interest cost	**1,451**	1,358
Expected return on assets	**(1,068)**	(1,039)
Actuarial loss	**371**	123
Net annual charge included in general and administrative expenses	**754**	442

34 Defined benefit pensions schemes (continued)

The actuarial loss of the schemes in excess of 10% of the present value of the defined benefit obligations are being charged as an expense over periods up to 13 years.

A reconciliation of the movement in the liability for defined benefit pension scheme is as follows:

Consolidated statement of financial position

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Brought forward liability	**-**	-
Consolidated statement of income (net)	**754**	442
Contributions	**(439)**	(435)
Increase in unrecognised asset	**(308)**	(7)
Foreign Exchange adjustments	**(7)**	-
Carried forward liability	**-**	-

Reconciliation of consolidated statement of financial position liability

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Present value of obligations	**26,402**	26,642
Fair value of plan assets	**(20,599)**	(21,011)
Net plan deficit	**5,803**	5,631
Unrecognised actuarial losses	**(6,087)**	(5,927)
Unrecognised asset	**284**	296
Net liability recognised in the consolidated statement of financial position	**-**	-

Changes in the present value of the defined benefit obligation

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Opening defined benefit obligation	**26,642**	17,894
Interest cost	**1,451**	1,358
Actuarial losses	**1,137**	5,644
Benefits paid	**(1,304)**	(1,215)
Foreign exchange adjustment	**(1,524)**	2,961
Closing defined benefit obligation	**26,402**	26,642

Changes in the fair value of the plan assets

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Opening fair value of plan assets	**21,011**	15,975
Expected return	**1,068**	1,039
Actuarial gain	**582**	2,243
Contributions by employer	**439**	435
Benefits paid	**(1,304)**	(1,215)
Foreign exchange adjustment	**(1,197)**	2,534
Closing fair value of plan assets	**20,599**	21,011

The group expects to contribute KD436 thousand to its defined benefits plans during 2011.

34 Defined benefit pensions schemes (continued)

The fair value of the plan assets, by category is as follows:

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Plan assets:		
Equities	**8,239**	10,063
Bonds	**11,741**	10,539
Other assets	**619**	409
	20,599	21,011

35 Segmental analysis

The group activities are concentrated in three main segments: investment, building material and specialist engineering. The segments' results are reported to the higher management in the group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the group operates in.

35 Segmental analysis (Continued)

The following is the segments information, which conforms with the internal reporting presented to management:

	Investment		Building materials		Specialist engineering		Total	
	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000	**31 Dec. 2010 KD '000**	31 Dec. 2009 KD '000	**31 Dec. 2010 KD '000**	31 Dec. 2009 KD '000	**31 Dec. 2010 KD '000**	31 Dec. 2009 KD '000
Segment revenue	**64,127**	88,673	**40,924**	38,359	**56,323**	54,205	**161,374**	181,237
Less:								
Income from investments							**(32,390)**	(59,864)
Profit on disposal of subsidiary							**(646)**	(1,653)
Share of result of associates							**(29,680)**	(4,379)
Income on disposal of associate							**-**	(5,753)
Change in fair value of investment properties							**3,015**	(3,610)
Interest and other operating income							**(4,426)**	(13,414)
Unallocated sales							**825**	3,627
Sales, per consolidated statement of income							**98,072**	96,191
Segment (loss)/profit	**(2,192)**	18,997	**10,068**	9,982	**(1,748)**	278	**6,128**	29,257
Less:								
Finance costs							**(37,359)**	(51,582)
Other unallocated income/(expenses)							**5,434**	(13,087)
Loss before taxation and other statutory contribution, per consolidated statement of income							**(25,797)**	(35,412)
Segment assets	**1,511,871**	1,452,148	**47,881**	47,464	**74,353**	74,234	**1,634,105**	1,573,846
Segment liabilities	**(24,472)**	(17,861)	**(10,330)**	(10,415)	**(20,395)**	(25,643)	**(55,197)**	(53,919)
Segment net assets	**1,487,399**	1,434,287	**37,551**	37,049	**53,958**	48,591	**1,578,908**	1,519,927
Unallocated assets							**-**	968
Trust certificates issued							**(147,533)**	(165,079)
Borrowings, due to banks and other unallocated liabilities							**(793,914)**	(811,488)
Total equity, per consolidated statement of financial position							**637,461**	544,328

35 Segmental analysis (Continued)

Property, plant and equipment of the group are primarily utilised by the building materials segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering KD '000	Unallocated KD '000	Total KD '000
At 31 December 2010					
Additions to property, plant and equipment	**430**	**5,315**	**22,366**	**-**	**28,111**
Depreciation	**1,340**	**2,403**	**2,781**	**23**	**6,547**
Impairment in value of available for sale investments and receivables and other assets	**49,433**	**-**	**-**	**-**	**49,433**
Impairment in value of investment in associate and goodwill	**397**	**-**	**1,326**	**-**	**1,723**
At 31 December 2009					
Additions to property, plant and equipment	5,017	5,489	7,229	15	17,750
Depreciation	1,136	2,127	4,542	144	7,949
Impairment in value of available for sale investments and wakala investment	50,666	-	-	-	50,666

Geographical segments

The geographical analysis is as follows;

	Assets		Sales	
	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000	**Year ended 31 Dec. 2010 KD '000**	Year ended 31 Dec. 2009 KD '000
Kuwait	**934,334**	856,297	**41,749**	41,986
Outside Kuwait	**699,771**	718,517	**56,323**	54,205
	1,634,105	1,574,814	**98,072**	96,191

36 Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Transactions and balances included in the consolidated statement of financial position		
Due from related parties (refer note 20)	**8,870**	15,975
Due to related parties (refer note 30)	**2,816**	423
Short term borrowings	**-**	19,716
Acquisition of subsidiary (refer note 6d)	**7,150**	-

36 Related party transactions (continued)

	Year ended 31 Dec. 2010 KD '000	Year ended 31 Dec. 2009 KD '000
Transaction included in the consolidated statement of income		
Realised gain on sale of available for sale investments to an associate	**-**	6,175
Realised loss on sale of investment at fair value through profit or loss to an associate	**-**	(188)
Realised profits on disposal of a subsidiary to an associate (refer 6c)	**646**	1,653
Interest income	**-**	1,089
Management and placement fees earned from related parties	**2,815**	1,591
Purchase of raw materials – from associates	**8,999**	8,699
Finance costs – charged by associate company	**615**	833
Impairment in value of receivable – due from associates	**3,851**	-
Compensation of key management personnel of the group		
Short term employee benefits	**2,425**	2,658
End of service benefits	**649**	255
Cost of share based payments	**153**	1,240
	3,227	4,153

37 Summary of financial assets and liabilities by category

37.1 Categories of financial assets and liabilities

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Financial assets:		
Loans and receivables:		
• Accounts receivable and other financial assets (refer note 20)*	**56,524**	71,324
• Murabaha and wakala investments	**15,263**	10,201
• Short term deposits	**104,565**	131,464
• Bank balance and cash	**38,002**	30,132
At fair value through profit or loss:		
• Investments at fair value through profit or loss		
- Held for trading	**60,955**	65,310
- Designated on initial recognition	**58,163**	63,022
• Unrealised gain on interest rate swaps (refer note 20) *	**186**	-
Available for sale investments (refer note 18)	**894,867**	812,213
	1,228,525	1,183,666
Financial liabilities:		
At amortised cost		
• Trust certificates issued (refer note 27)	**147,533**	165,079
• Long term borrowings	**165,688**	35,145
• Leasing creditors	**446**	683
• Accounts payable and other financial liabilities (refer note 30)*	**40,428**	38,607
• Short term borrowings	**594,948**	732,481
• Due to banks	**33,278**	43,603
At fair value		
• Unrealised loss on interest rate swaps (refer note 30) *	**-**	4,043
	982,321	1,019,641

*Accounts receivable and other financial assets and accounts payable and other financial liabilities are excluding unrealized gains/(loss) on interest rate swaps.

37 Summary of financial assets and liabilities by category (continued)

37.1 Categories of financial assets and liabilities (continued)

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the group's management, except for certain available for sale investments which are carried at cost for reasons specified in Note 18 to the consolidated financial statements the carrying amounts of financial assets and liabilities as at 31 December 2010 and 2009 approximate their fair values.

37.2 Fair value hierarchy for financial instruments measured at fair value

The group adopted the amendments to IFRS 7 *Improving Disclosures about Financial Instruments* effective from 1 January 2009. These amendments require the group to present certain information about financial instruments measured at fair value in the consolidated statement of financial position.

The following table presents the financial assets and liabilities which are measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows;

At 31 December 2010

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	**a**	**-**	**-**	**73,765**	**73,765**
Other managed portfolio	**a**	**-**	**8,087**	**91,606**	**99,693**
-Unquoted equity participations	**b**	**-**	**-**	**127,565**	**127,565**
-Quoted shares	**c**	**503,427**	**-**	**-**	**503,427**
Investment at fair value through profit or loss					
-Quoted shares	**c**	**60,955**	**-**	**-**	**60,955**
-Local funds	**d**	**-**	**33,666**	**-**	**33,666**
-International managed portfolios and funds	**e**	**-**	**-**	**24,497**	**24,497**
Fair value of interest rate swaps	**f**	**-**	**186**	**-**	**186**
Total assets		**564,382**	**41,939**	**317,433**	**923,754**

37 Summary of financial assets and liabilities by category (continued)

37.2 Fair value hierarchy for financial instruments measured at fair value (continued)

At 31 December 2009

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	a	-	-	61,645	61,645
Other managed portfolio	a	-	-	95,074	95,074
-Unquoted equity participations	b	-	-	161,218	161,218
-Quoted shares	c	399,742	-	-	399,742
Investment at fair value through profit or loss					
-Quoted shares	c	65,310	-	-	65,310
-Local funds	d	-	41,121	-	41,121
-International managed portfolios and funds	e	-	-	21,901	21,901
Total assets		465,052	41,121	339,838	846,011
Liabilities at fair value					
-Fair value of interest rate swaps	f	-	4,043	-	4,043

Fair value measurements

The group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2010 KD'000
Opening balance	**339,838**
Net change in fair value recognised in other comprehensive income	**(2,632)**
Impairment recognised in profit or loss	**(21,852)**
Net change in fair value recognised in profit or loss	**1,305**
Net additions during the year	**(3,992)**
Reclassified from carried at cost to fair valued investments	**4,766**
Closing balance	**317,433**

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

a) Managed funds

Private equity funds

The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Other managed portfolios

The underlying investments of other managed portfolios represent foreign quoted and unquoted securities managed by specialized portfolio managers. They are valued based on periodic reports received from the portfolio managers.

37 Summary of financial assets and liabilities by category (continued)

Measurement at fair value (continued)

b) Unquoted equity participations
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Quoted shares
Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

d) Local funds
The underlying investments of these funds mainly comprise of local quoted shares and money market instruments and the fair value of the investment has been determined based on net asset values reported by the fund manager as of the reporting date.

e) International managed portfolios and funds
The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on fund managers' report.

f) Interest rate swaps
The fair value of the derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions based on prevailing market information.

38 Risk management objectives and policies

The group's financial liabilities comprise due to banks, short term and long term borrowings, trust certificates issued, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for group operations. The group has various financial assets such as accounts receivable and other assets, bank balance and cash, murabaha and wakala investments, short term deposits and investment securities which arise directly from operations.

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The board of directors sets out policies for reducing each of the risks discussed below.

The group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the group's sources of finance. The group's policy is not to trade in derivative financial instruments.

The most significant financial risks to which the group is exposed to are described below.

38.1 Market risk

a) Foreign currency risk
Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group mainly operates in the Middle East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar, Saudi Riyal and GBP. The consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

38 Risk management objectives and policies (continued)

38.1 Market risk (continued)

a) Foreign currency risk (continued)

Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the parent company's board of directors and a continuous assessment of the consolidated open positions.

The group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	31 Dec. 2010 *Equivalent* KD '000	31 Dec. 2009 *Equivalent* KD '000
US Dollars	**(287,522)**	(319,898)
Saudi Riyals	**11,752**	7,710
GBP	**1,487**	(8,834)

The parent company's management estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the loss for the year. There is no impact on the Group's other comprehensive income.

	Decrease in loss	
	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
US Dollars	**14,376**	15,995
Saudi Riyals	**(588)**	(385)
GBP	**(74)**	442
	13,714	16,052

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the loss for the year, and the balances shown above would be negative for US Dollars and positive for other currencies (2009: positive for Saudi Riyals and negative for the other currencies).

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk on its short term deposits (refer note 32), trust certificates issued (refer note 27), short and long term borrowings (refer note 31 and 28) and due to banks which are both at fixed and floating interest rates. The risk is managed by the group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

Positions are monitored regular to ensure positions are maintained within established limits.

38 Risk management objectives and policies (continued)

38.1 Market risk (continued)

b) Interest rate risk (continued)

The following table illustrates the sensitivity of the loss for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on group's other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000	**31 Dec. 2010 KD '000**	31 Dec. 2009 KD '000
(Increase)/decrease in loss for the year	**(1,959)**	(2,011)	**5,877**	6,033

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain, Abu Dhabi, Saudi Arabia and USA. Equity investments are classified either as "investments at fair value through profit or loss or "available for sale investments".

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the group.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the loss for the year and other comprehensive income for the year ended 31 December would have been as follows:

A positive number below indicates a decrease in loss and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Loss for the year		Other comprehensive income	
	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000	**31 Dec. 2010 KD '000**	31 Dec. 2009 KD '000
Investments at fair value through profit or loss	**9,462**	10,643	**-**	-
Available for sale investments	**3,452 ***	-	**46,891**	39,974
	12,914	10,643	**46,891**	39,974

* Had equity prices been higher by 10% the impairment loss which was recognised in the consolidated statement of income would be reduced and consequently the loss for the year 2010 would be lower.

For a 10% decrease in the equity prices there would be an equal and opposite impact on the losses for the years and other comprehensive income and the amounts shown above would be negative.

38.2 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. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

38 Risk management objectives and policies (continued)

38.2 Credit risk (continued)

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Available for sale investments	**894,867**	812,213
Accounts receivable and other assets (refer note 20)	**56,710**	71,324
Murabaha and wakala investments	**15,263**	10,201
Investments at fair value through profit or loss	**119,118**	128,332
Short term deposits	**104,565**	131,464
Bank balances	**38,002**	30,132
	1,228,525	1,183,666

The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. None of the above financial assets are past due nor impaired except for certain wakala investments referred to in note 21, certain available for sale investments and account receivable and other asset referred to in note 18 and 20 respectively. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in note 38.3.

38.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	Kuwait KD '000	**Other Middle Eastern Countries** KD '000	**Asia & Africa** KD '000	**UK & Europe** KD '000	**USA** KD '000	**Total** KD '000
At 31 December 2010						
Geographic region:						
Available for sale investments	**324,589**	**339,081**	**83,780**	**46,721**	**100,696**	**894,867**
Accounts receivable and other assets	**29,598**	**7,186**	**633**	**19,128**	**165**	**56,710**
Murabaha and wakala investments	**15,263**	**-**	**-**	**-**	**-**	**15,263**
Investments at fair value through profit or loss	**79,602**	**10,870**	**3,971**	**178**	**24,497**	**119,118**
Short-term deposits	**77,671**	**-**	**-**	**4,751**	**22,143**	**104,565**
Bank balances and cash	**29,322**	**4,379**	**507**	**3,352**	**442**	**38,002**
	556,045	**361,516**	**88,891**	**74,130**	**147,943**	**1,228,525**
At 31 December 2009						
Geographic region:						
Available for sale investments	247,113	302,691	101,981	46,452	113,976	812,213
Accounts receivable and other assets	43,353	14,902	1,597	11,114	358	71,324
Murabaha and wakala investments	10,201	-	-	-	-	10,201
Investments at fair value through profit or loss	91,179	11,168	3,355	931	21,699	128,332
Short-term deposits	99,805	5,134	-	2,873	23,652	131,464
Bank balances and cash	24,608	1,803	196	3,296	229	30,132
	516,259	335,698	107,129	64,666	159,914	1,183,666

38 Risk management objectives and policies (continued)

38.4 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	**1-3 months** KD '000	**3-12 months** KD '000	**1-5 Years** KD '000	**Total** KD '000
31 December 2010					
Financial liabilities (undiscounted)					
Trust certificates	**-**	**365**	**15,405**	**134,400**	**150,170**
Long-term borrowings	**-**	**1,075**	**8,097**	**186,077**	**195,249**
Leasing creditors	**4**	**12**	**32**	**483**	**531**
Accounts payable and other liabilities	**12,500**	**18,021**	**9,907**	**-**	**40,428**
Short-term borrowings	**259,538**	**116,453**	**226,882**	**-**	**602,873**
Due to banks	**33,278**	**-**	**-**	**-**	**33,278**
	305,320	**135,926**	**260,323**	**320,960**	**1,022,529**
31 December 2009					
Financial liabilities (undiscounted)					
Bonds and trust certificates	-	373	15,769	153,250	169,392
Long-term borrowings	-	334	1,053	36,943	38,330
Leasing creditors	9	27	61	735	832
Accounts payable and other liabilities	17,501	10,342	14,597	210	42,650
Short-term borrowings	202,712	188,114	346,904	-	737,730
Due to banks	43,603	-	-	-	43,603
	263,825	199,190	378,384	191,138	1,032,537

The group's short term borrowings principally represent revolving facilities with local and foreign banks and financial institutions. The group's management has successfully renewed all short term facilities which were classified as falling due within one month and one to three months.

39 Derivative financial instruments

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments of the Group represent interest rate swaps.

The notional amounts and the fair value of the interest rates swaps at the reporting date based on the contractual maturity days are as follows:

	31 Dec. 2010 Notional amount KD '000	31 Dec. 2009 Notional amount KD '000	**31 Dec. 2010 Positive fair value** KD '000	31 Dec. 2009 Negative fair value KD '000
Interest rate swaps (denominated in US Dollars)	**84,330**	172,380	**186**	(4,043)

The above interest rate swaps represent range accrual interest rates swap contracts with local and foreign banks and are based on 3 months or 6 months LIBOR and mature in 2012 and 2013.

The positive fair value of the interest rate swaps as at 31 December 2010 amounted to KD186 thousand (2009: negative fair value of KD4,043 thousand) and the changes in fair values are recognised in the consolidated statement of income and the corresponding assets under "other assets" (refer note 20) and in 2009 the correspondent liability under "other liabilities" (refer note 30). During the year the group has made net payments totalling to KD8,063 thousand (2009: KD5,051 thousand) to the banks to settle the quarterly payments due on interest rate swaps.

39 Derivative financial instruments (continued)

The positive/(negative) fair value of the derivative financial instrument is equivalent to the market value and the notional amount is the amount of a derivative's underlying asset, and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions and are not indicative of credit risk.

Credit risk with respect to derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of derivatives that are favourable to the group.

40 Capital risk management

The group's capital management objectives are to ensure that the group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

The capital structure for the group consists of the following:

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Trust certificates issued (refer note 27)	**147,533**	165,079
Long term borrowings (refer note 28)	**165,688**	35,145
Short term borrowings (refer note 31)	**594,948**	732,481
Due to banks	**33,278**	43,603
	941,447	976,308
Less :		
Murabaha and wakala investments	**(15,263)**	(10,201)
Short - term deposits	**(104,565)**	(131,464)
Bank balances and cash	**(38,002)**	(30,132)
Net debt	**783,617**	804,511
Total equity	**637,461**	544,328

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2010 %	31 Dec. 2009 %
Net debt to equity ratio	**123**	148

41 Contingent liabilities

At 31 December 2010, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD13,679 thousand (2009: KD8,443 thousand).

42 Fiduciary assets

One of the subsidiaries of the group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2010 amounted to KD62,396 thousand (2009: KD144,542 thousand) of which assets managed on behalf of related parties amounted to KD11,196 thousand (2009: KD98,236 thousand).

43 Capital commitments

At the reporting date the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling KD53,609 thousand (2009: KD70,740 thousand).

At the reporting date, the group had commitment to pay lease rentals amounting to KD2,013 thousand (2009: KD2,404 thousand).

44 Comparative information

Certain comparative information has been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity and net results for the year or net decrease in cash and cash equivalents.